



FACT SHEET

ELAINE M. HOWLE
State Auditor

Date: **September 14, 2006**

Report: **2005-132**

The California State Auditor released the following report today:

**Los Angeles Unified School District
*It Has Increased Administrative Positions for Various Reasons and
Although Making Progress, Its Performance Evaluation and
Salary-Setting Procedures for Managers Still Need Improvement***

KEY FINDINGS

- The Los Angeles Unified School District (LAUSD) did not consistently achieve the reductions in support services positions located at central and regional offices proposed in its 2000 and 2004 reorganization plans. For example, in 2000, LAUSD proposed to cut 835 support services positions at its central office, but only cut 664 positions, almost all of which were shifted to local district offices. In contrast, the 2004 reorganization plan proposed cutting 205 positions but LAUSD actually cut 231 positions.
- These staffing reductions were temporary because by December 2005 support services staffing had increased to levels that exceed those existing prior to the 2000 reorganization. LAUSD indicates many of these additional employees were needed to manage school construction and information services efforts.
- The 2000 reorganization plan created Parent/Community Advisory Councils (advisory councils) in each of the eight local districts, but only four of them are currently active, and only two appear to be operating as the plan intended. Additionally, LAUSD has not attempted to measure parent satisfaction with the existing advisory councils.
- LAUSD has made only limited assessments of the results of its 2000 reorganization, and although reporting on changes to its administrative structure, it has not reported the financial changes resulting from the reorganization as the LAUSD Board of Education (board of education) had requested.
- Although LAUSD has established measurable benchmarks and goals for the superintendent, it does not have specific performance benchmarks for all managers, nor has it always maintained documentation of past evaluations.
- LAUSD has addressed many of the concerns we noted in a July 2001 audit of its salary-setting practices for certificated executives and managers. However, its Personnel Commission continues to lack written procedures for determining salaries of classified employees, and 11 of the 15 salary-setting decisions we reviewed lacked documentation to support the recommendations.
- For more than half of the 27 high-level positions surveyed, LAUSD's salaries are higher than those of comparable positions at other school districts, but factors such as cost of living and enrollment could contribute to the differences.

BACKGROUND

With 727,000 students attending kindergarten through 12th grade in the 2005–06 school year, LAUSD is the nation's second largest school district. For the 2005–06 school year, LAUSD had almost 78,000 regular employees, including 37,000 teachers. Currently, LAUSD has a traditional school governance structure with a superintendent to manage its operations and a board of education to oversee policies. Its total expenditures in fiscal year 2004–05 were \$8.5 billion.

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Los Angeles Unified School District:

*It Has Increased Administrative Positions
for Various Reasons and Although Making
Progress, Its Performance Evaluation and
Salary-Setting Procedures for Managers
Still Need Improvement*



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CALIFORNIA STATE AUDITOR

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September 14, 2006

2005-132

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report on the Los Angeles Unified School District's (LAUSD) reorganizations and its procedures for evaluating performance and setting salaries for managers. This report concludes that LAUSD did not consistently achieve reductions in support services positions proposed in its 2000 and 2004 reorganization plans.

Both reorganizations initially achieved staffing reductions, but by December 2005 support services staffing levels had increased above the levels before the 2000 reorganization, which LAUSD attributed to the need for additional employees to manage school construction and information services efforts. Further, only four of the eight local district Parent/Community Advisory Councils (advisory councils) created by the 2000 reorganization plan are still operating, and LAUSD has not attempted to measure parent satisfaction with the remaining advisory councils. Also, LAUSD has made only limited assessments of any results of its 2000 reorganization.

Although LAUSD has established measurable benchmarks and goals for the superintendent, it has not replicated this practice with other managers responsible for improving student achievement. Additionally, LAUSD has addressed many of the concerns over salary-setting practices that we noted in a July 2001 audit, but its Personnel Commission still does not have written procedures for determining salaries or appropriate documentation to support salary-setting recommendations for classified managers and executives. Based on our survey of four of the nation's largest school districts, LAUSD's salaries are higher than those of comparable positions for more than half of the 27 high-level positions surveyed, but factors such as cost of living and enrollment could contribute to the differences.

Respectfully submitted,

ELAINE M. HOWLE
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SUMMARY

Audit Highlights . . .

Our review of the Los Angeles Unified School District's (LAUSD) reorganizations and its procedures for evaluating performance and setting salaries for managers found that:

- ☑ *Both the 2000 and 2004 reorganizations achieved staffing reductions, but by December 2005 support services staffing levels had increased to levels that exceed those existing before the 2000 reorganization, which LAUSD attributed to the need for additional employees to manage school construction and information services efforts.*
- ☑ *Only four of the eight local district Parent/Community Advisory Councils (advisory councils) created by the 2000 reorganization plan are still operating, and LAUSD has not attempted to measure parent satisfaction with the remaining advisory councils.*
- ☑ *Although LAUSD has established measurable benchmarks and goals for the superintendent, it has not replicated this practice with other managers responsible for improving student achievement.*

continued on next page . . .

RESULTS IN BRIEF

The Los Angeles Unified School District (LAUSD) is the nation's second largest school district, with 727,000 students attending kindergarten through 12th grade in the 2005–06 school year. Facing concerns about poor student performance, the district reorganized its administrative structure in 2000 to place all schools into 11 local districts, which it consolidated into eight local districts in 2004 to address budgetary shortfalls. Over the last four years student performance has improved as seen in rising Academic Performance Index (API) scores each year, but LAUSD's scores still remain below statewide API scores. In addition, the governor has publicly indicated he would sign a bill for the mayor and other entities to have certain management responsibilities over LAUSD. Finally, at an estimated cost of \$19.3 billion, LAUSD began a program in 1997 to build new schools and modernize existing schools to address an expected shortage of 200,000 classroom seats.

The 2000 and 2004 reorganization plans proposed reductions in support services positions at administrative and operating offices, but LAUSD has not achieved lasting reductions for various reasons. In 2000 LAUSD proposed to cut 835 support services positions at the central office, including shifting 501 of these positions to local districts and schools. However, it cut only 664 positions from the central office. Conversely, the 2004 reorganization proposed to eliminate 205 support services positions, but LAUSD actually cut 231 positions. Staffing reductions were temporary in both cases, and by December 2005 support services staffing had increased by 658 positions over December 1999 levels. LAUSD indicates that many of these additional employees were needed to manage its school construction and modernization program and to provide information technology services.

Between December 1999 and December 2005, LAUSD's support services positions increased by 12 percent, compared with a 3 percent increase in the number of employees who work at schools and interact with students, such as teachers, counselors, school custodians, and bus drivers. The cost of salaries and benefits for the first group increased by 44 percent between fiscal years 1999–2000 and 2004–05. The same costs for the second group increased by 26 percent.¹

¹ Represents regular program employees supported by LAUSD's general fund.

☑ *LAUSD has addressed many of the concerns over the salary-setting practices that we noted in a July 2001 audit, but its Personnel Commission still does not have written procedures for determining salaries or appropriate documentation to support salary-setting recommendations for classified managers and executives.*

☑ *Based on our survey of four of the nation's largest school districts, LAUSD's salaries are higher than those of comparable positions for more than half of the 27 high-level positions surveyed, but there may be factors that justify such differences.*

The 2000 reorganization plan also created Parent/Community Advisory Councils (advisory councils) at each local district to provide parents and community members with access to local district administrators and a way to influence district policy. Four of these eight advisory councils are no longer functioning, and LAUSD has not attempted to measure parent satisfaction with the councils that still exist. In fact, it has made only limited assessments of any results of its 2000 reorganization. Although it has updated the LAUSD Board of Education (board of education) on changes to its administrative structure since the reorganization, it has not reported the financial changes resulting from the reorganization as the board has requested. LAUSD lacks adequate performance assessment in other areas as well. Since it expanded its in-house legal staff beginning in 2001, LAUSD has reduced annual legal services costs by more than \$3 million and decreased settlement and judgment costs. However, it has not fully developed the performance metrics it proposed to measure the legal expansion plan that was adopted by the board of education, so it is difficult to determine if it is meeting all the plan's goals.

We also assessed LAUSD's progress in implementing the recommendations of our July 2001 audit, *Los Angeles Unified School District: It Has Made Some Progress in Its Reorganization but Has Not Ensured That Every Salary Level It Awards Is Appropriate* (2000-125). Although the district has taken some corrective actions, it has not implemented or has only partly implemented most of our recommendations for establishing performance measures and improving its compensation practices.

For example, our 2001 audit reported that LAUSD had not established specific, easily measurable performance standards for certain high-level executives and managers and that the standards it did establish were vague and open to subjective results. Although LAUSD has established measurable benchmarks and goals for the superintendent, it still does not have performance benchmarks for all executives and managers, nor has it always maintained documentation of past evaluations. A January 2006 review of the district by a peer group of other school administrators found little evidence that LAUSD held its staff accountable for attaining their performance goals.

Our 2001 audit also found that the three different groups within LAUSD that set salaries of administrators—the Personnel Commission, the Human Resources Division, and the superintendent—did not have written procedures for determining salary levels for some positions, and did not always follow the

written procedures they did have in place. In addition, LAUSD could not provide sufficient documentation to demonstrate that it conducted a thorough analysis for each position before setting salaries. Currently, more progress is needed to ensure transparency over salary-setting decisions. The Personnel Commission still does not have written procedures for determining salaries, and 11 of the 15 salary-setting decisions we reviewed lacked documentation to support the salary recommendations. In contrast, the superintendent's process for determining salaries for certificated executives is reasonable, but it could be documented better. Also, the Human Resources Division has addressed most of our previous concerns over the salary-setting practices for certificated managers.

The number of high-level executives and managers LAUSD chooses to employ on contracts also has increased, but the reasons for these increases appear justified. Finally, our survey of comparable large school districts across the country shows that LAUSD pays higher salaries for more than half of the 27 highest-level executive and administrative positions we reviewed. Factors that may justify these larger salaries include cost of living, size of enrollment, and differences in scope and range of responsibilities.

RECOMMENDATIONS

When LAUSD makes major changes in its organizational structure with the intent of improving its operations, it should do the following to measure the effectiveness of these changes:

- Consider ways to track the impact of these organizational changes on such factors as staffing and cost.
- Develop performance metrics with goals and quantifiable benchmarks to evaluate itself on its progress in achieving the planned improvements.

If LAUSD decides to continue with the advisory councils, it should:

- Evaluate why the advisory councils have not met the objectives set out in the 2000 reorganization plan.
- Develop more specific guidelines on what the advisory councils should accomplish, define the local districts' roles and types of assistance they would offer, and develop a mechanism for monitoring and oversight to ensure that the advisory councils operate as intended.

To measure the effectiveness of key administrators directly involved in affecting student performance, LAUSD should:

- Establish specific, measurable, and reasonable goals for these administrators that are aligned with district-wide goals related to student performance.
- Evaluate these administrators in writing based on their ability to meet their goals and hold them accountable for their performance.
- Ensure that it retains written evaluations of administrators for a reasonable time period.

Similarly, to measure the effectiveness of key administrators who oversee operating units, LAUSD should establish specific, measurable, and reasonable goals for these administrators and evaluate them in writing on their ability to meet such goals. In addition, it should retain the evaluations for a reasonable time period.

To avoid the appearance of subjectivity and lack of thoroughness in setting salaries for classified administrators, the Personnel Commission should:

- Establish written guidelines for setting salaries and ensure that it consistently follows them for determining administrative compensation.
- Maintain complete records of its salary determination process, including what methods it followed and what information it used to support its decisions.

LAUSD should maintain complete records to support salary determinations for executive-level administrators to show that these determinations are based on reasonable and objective criteria.

AGENCY COMMENTS

LAUSD generally agreed with our recommendations and indicated some of the steps it would take to implement them. ■

INTRODUCTION

BACKGROUND

With 727,000 students attending kindergarten through 12th grade in the 2005–06 school year, Los Angeles Unified School District (LAUSD) is the nation’s second largest school district, as shown in Table 1. It has about five times as many students as San Diego City Schools, the next largest school district in California.

TABLE 1

Seven Largest School Districts in the United States

District	Enrollment	School Year	Number of Schools	Grades
New York City Department of Education	1,011,000	2005–06	1,573	Kindergarten–12 th
Los Angeles Unified School District	727,000	2005–06	937	Kindergarten–12th
Chicago Public Schools	405,000	2004–05	613	Kindergarten–12 th
Miami-Dade County Public Schools	366,000	2004–05	406	Pre-kindergarten–12 th
Clark County School District	292,000	2005–06	317	Kindergarten–12 th
Broward County Public Schools	255,000	2004–05	264	Pre-kindergarten–12 th
Houston Independent School District	193,000	2004–05	280	Kindergarten–12 th

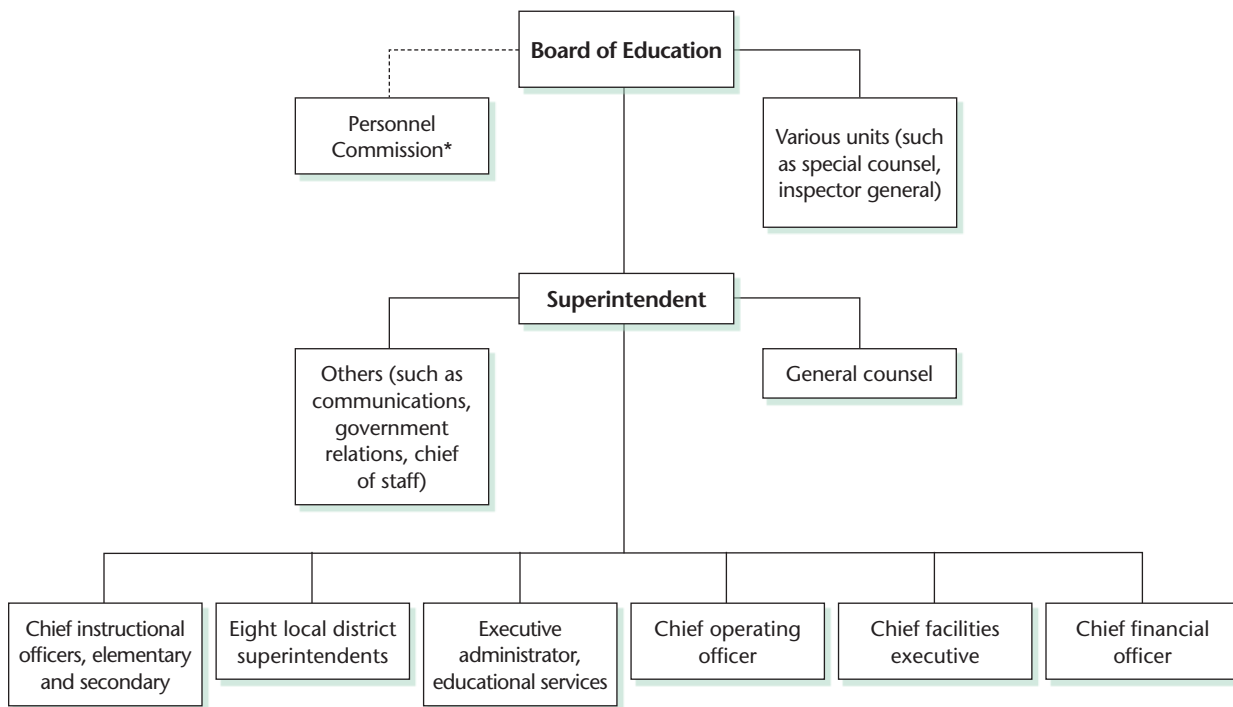
Sources: District responses to Bureau of State Audits’ surveys and districts’ Web sites.

For the 2005–06 school year, LAUSD had almost 78,000 regular employees, including 37,000 teachers. Its total expenditures in fiscal year 2004–05 were \$8.5 billion. More than 65 percent of these expenditures were for employee salaries and benefits. Figure 1 on the following page shows how LAUSD’s highest management levels are structured.

Currently, as shown in Figure 1, LAUSD has a traditional school governance structure with a superintendent to manage its operations and a board of education to oversee policies. Additionally, the superintendent has various instructional and operational units reporting to him. LAUSD employs most executives and managers who oversee these units through employment contracts rather than on a permanent basis.

FIGURE 1

Los Angeles Unified School District Organization Chart for High-Level Positions



Source: Los Angeles Unified School District's (LAUSD) June 2006 organization chart.

* The Personnel Commission operates mostly independently from the LAUSD Board of Education (board of education). It is an autonomous agency led by three commissioners, one of whom is appointed by the board of education.

LAUSD Reorganized Its Administrative Structure in 2000 and 2004

LAUSD undertook the reorganization in 2000 because of concerns about poor student performance.² According to its analysis of the first year of statewide testing, LAUSD's mean Academic Performance Index (API) scores were significantly lower than the California mean scores. California uses the API to measure the academic performance and improvement of schools by producing a score ranging from 200 to 1000 based on the summary of various indicators, including standardized tests in various subjects, results from California's high school exit exam, and other factors. LAUSD's organizational structure also received criticism in a 1993 external consultant's study and in a 1998 review of its school facilities program by the Little Hoover Commission, an independent state oversight agency.

² The California Education Code generally uses the term "reorganization" to describe the process of redefining the geographic territory of a school district by a number of different actions. However, our discussion of reorganization refers to changes in management structure.

The LAUSD Board of Education (board of education) adopted a plan in April 2000 that reorganized management of schools into 11 newly designated local districts, each with its own superintendent and administrative staff. The reorganization took effect in July 2000 with the stated intent to improve academic achievement by assigning the local districts decision-making responsibility, by reconstituting the central office to provide support services to local districts, and by focusing district-wide efforts on teaching students to read. Our 2001 audit of this reorganization found that LAUSD had shifted some of the central office positions into the local districts, but the central office retained significant decision-making and policy-setting authority.

After the 2000 reorganization, LAUSD faced significant budget cuts and indicated that it reduced its general fund expenditures by \$1.3 billion between fiscal years 2001–02 and 2003–04. Facing an immediate need to reduce LAUSD’s budget further in fiscal year 2004–05, the board of education took several actions, including a reorganization plan to consolidate the existing 11 local districts into eight districts, in June 2004. The plan proposed \$24.2 million in immediate savings resulting from a 20 percent cut in local district budgets and reductions in local district positions. We discuss the changes in total LAUSD staff since the 2000 reorganization in more detail in Chapter 1.

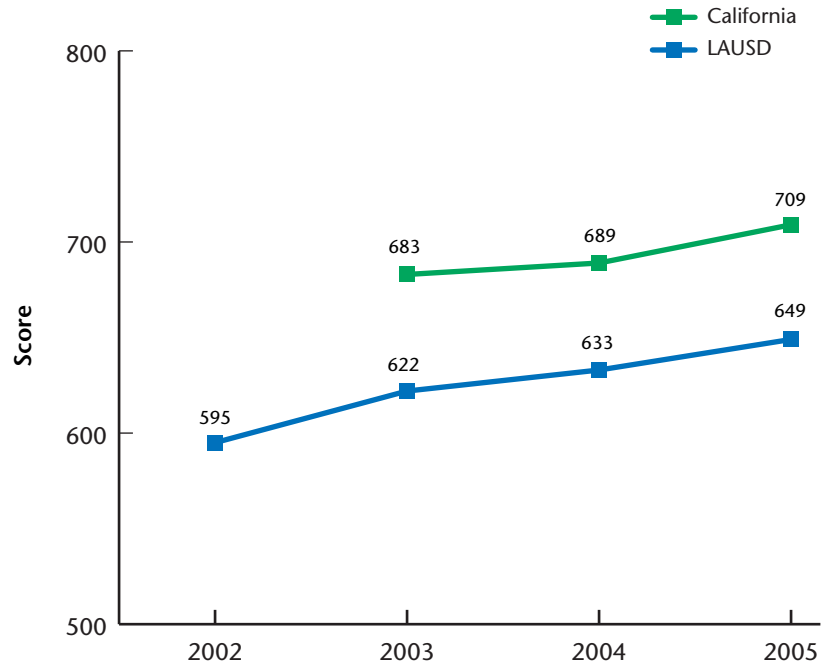
Despite Recent Gains in Student Achievement, LAUSD Still Faces Challenges in Meeting State and Federal Education Requirements

LAUSD’s API scores have been improving over the last four years, as shown in Figure 2 on the following page. The district’s API base score climbed by 54 points between 2002 and 2005, a 9 percent increase. Despite these improvements, LAUSD’s 2005 API base score of 649 is still 60 points, or 8 percent, below the statewide score of 709.

According to LAUSD, the gap between its mean API scores and statewide mean API scores has decreased for all grade levels since 1999. However, the statewide API scores include LAUSD’s scores, and the California Department of Education does not calculate statewide scores separately without LAUSD. Thus, we were unable to compare the API scores of LAUSD with all other California school districts.

FIGURE 2

**Annual Academic Performance Index Base Scores for
California and the Los Angeles Unified School District
2002 Through 2005**



Source: California Department of Education's (CDE) Web site.

Note: CDE did not calculate the Academic Performance Index base score for California until 2003, when it did so for the federal No Child Left Behind Act of 2001.

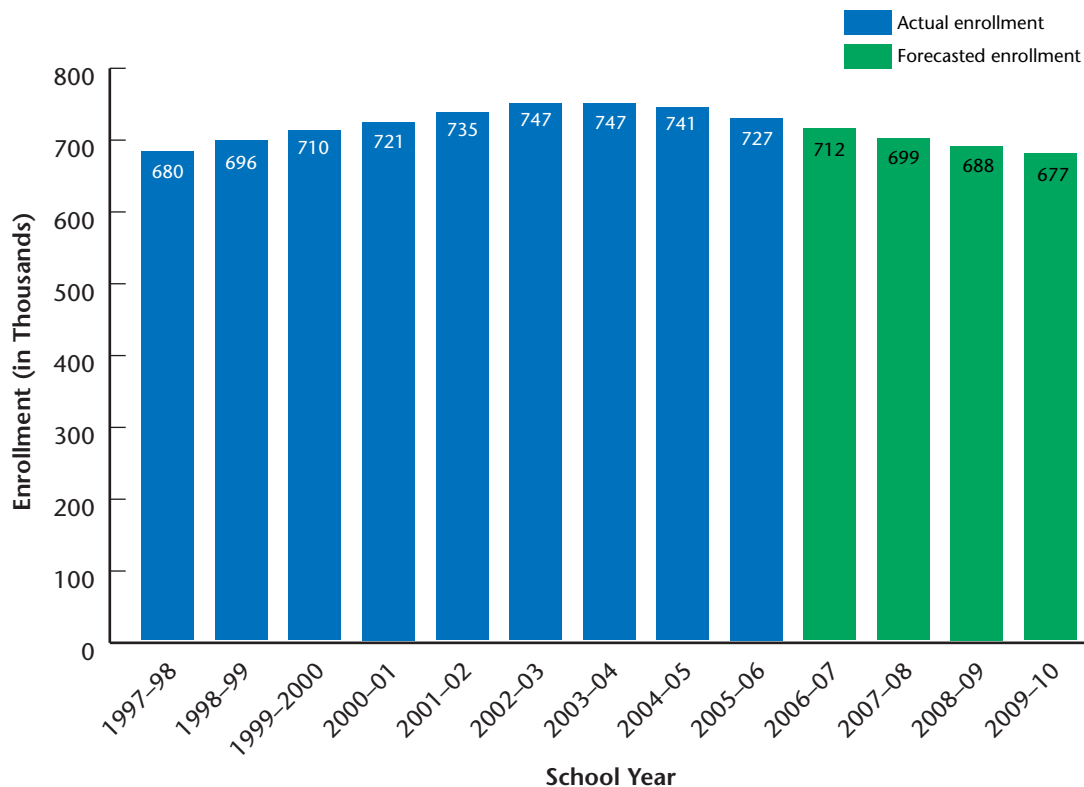
In addition to the API, the federal No Child Left Behind Act of 2001 also requires all schools and local education agencies that want to receive federal funding under the act to meet Adequate Yearly Progress requirements, which take into consideration participation in and performance on statewide assessments used to calculate API scores and graduation rates. Since 2003, when the federal requirements took effect, LAUSD has met most of the 46 requirements in any one year. For example, LAUSD met 43 of the 46 requirements in 2005. However, its English learners and students with disabilities subgroups did not meet proficiency requirements in statewide assessments, and it did not meet the graduation rate requirement. A school district that does not meet all its Adequate Yearly Progress requirements for two consecutive years or more, such as LAUSD, is identified as a program improvement school district. It is required to implement varying levels of services and interventions, depending on how many consecutive years it fails to meet the requirements.

LAUSD Governance May Be Realigned

The mayor of Los Angeles has criticized LAUSD for its shortcomings in student performance. Citing concerns with graduation rates and other indicators of student performance, the mayor sought to change the governance of the school district. The Legislature approved Assembly Bill 1381 of the 2005–06 Regular Session in August 2006. If enacted the bill would, subject to approval from the Los Angeles County superintendent of schools, create a partnership between the mayor, LAUSD, parent and community groups, school personnel, and employee organizations to oversee three clusters of schools in a demonstration project, including three low-performing high schools and the lower-level schools whose students will attend those high schools. The bill also proposes to create a council of mayors from each city within LAUSD’s boundaries to, among other things, participate in selecting and evaluating the superintendent; review and comment on the annual budget and state-required reports on school data and academic indicators of student performance; and provide input on LAUSD’s facilities program. Additionally, the bill proposes to transfer responsibility over certain employment decisions, contracting operations, and management of the facilities program from the board of education to the superintendent. Lastly, the bill proposes that parents, teachers, and other certificated staff have an authentic role in selecting curriculum, instruction materials, and professional development programs for LAUSD. The bill’s provisions would take effect on January 1, 2007 and remain in effect until January 1, 2013. As of early September 2006, the governor has publicly indicated he would sign the bill.

LAUSD Undertook an Aggressive School Construction and Modernization Program to Relieve Overcrowded Schools and Reduce Class Sizes

LAUSD is in the midst of a major program to construct and modernize schools. It started this program in 1997, when it forecast a shortage of 200,000 classroom seats based on enrollment numbers and projected growth rates. LAUSD intends to build more than 150 schools to address this shortage, and had built 53 new schools as of November 2005. According to the director of facilities support services, LAUSD also plans to modernize almost 800 existing schools. As shown in Figure 3 on the following page, although enrollment in LAUSD steadily increased in the first five years, it peaked in the 2002–03 and 2003–04 school years and has been declining slightly since. According to its October 2005 update to the board of education, LAUSD believes the enrollment decline is the result of declining birthrates since 1990, rising housing costs, and an increasing number of households with few or no children.

FIGURE 3**Student Enrollment From School Year 1997–98 Through 2009–10**

Sources: California Department of Education's Web site and the Los Angeles Unified School District's 2006–07 provisional budget.

Despite these recent enrollment trends, which LAUSD uses to adjust its planned facilities program, the district indicates that many schools remain overcrowded. The district has used interim measures such as the multi-track calendar (which used a shortened school year), temporary facilities, and busing of students to schools outside their neighborhoods to relieve overcrowding. According to LAUSD's general counsel, the board of education adopted a master facilities plan that targeted busing and the multi-track calendar as educationally inferior means to deal with overcrowding. He also indicated that a court settlement in 2004 addressed some of these interim measures, and legislation that arose out of that settlement puts into law the board of education's previous commitment to eliminate by 2012 the use of the shortened school year multi-track calendar. The district will need more classroom space to implement this plan.

To address overcrowding problems, voters passed four local bond measures between 1997 and 2005 to fund new school construction and existing school modernization. LAUSD received other sources of funding including developer fees, state matching funds, and federal grants, bringing its facilities program funding to \$19.3 billion as of July 2006. Of this amount, it plans to use \$11.7 billion to construct new schools to meet LAUSD's revised forecast, which requires 180,000 new classroom seats by 2012 and \$7.6 billion to renovate existing schools.

LAUSD Sets Compensation for Administrators in Various Ways

Different operating units within LAUSD are responsible for setting salaries, and each of these units has its own set of procedures for determining salaries, as shown in Table 2.

TABLE 2

Entities Responsible for Determining Salaries

Entity	Type of Employee	Description
Personnel Commission	Classified	Positions that provide operational or administrative support and do not require instructional credentials or certificates. Examples include accountants, bus drivers, and school police.
Human Resources Division	Certificated	Positions that require certifications or credentials, and are not at the highest management level. These include principals and program directors.
Superintendent	High-level certificated managers	High-level certificated managers on employment contracts, such as local district superintendents and assistant superintendents.

Source: Bureau of State Audits' review of documents and interviews with Los Angeles Unified School District administrators.

The Personnel Commission is a three-member board independent of LAUSD that sets salaries for classified employees. According to its chief human resources specialist (chief specialist), when a need for a classified position arises, the Personnel Commission employs staff who may conduct a classification study to determine whether the duties are performed within an existing job classification. If a new classification must be created, Personnel Commission staff conduct a salary study to establish the salary range. For union-represented positions, which make up most classified employees, collective bargaining is used to set salaries. However, high-level executive and administrative positions, such as many of those we discuss in this report, are not represented by unions and therefore are not subject to collective bargaining.

According to the chief specialist, a salary study usually includes a survey of salaries for similar positions with comparable duties at other entities. The commission also uses internal alignment, which is a process to ensure that the salary established for a new position is in line with existing salary levels for similar positions and with those positions above and below it within LAUSD. The Personnel Commission also may consider market factors or use information from job surveys it has purchased from private human resource firms. Once a salary is determined, staff presents its salary recommendation in a public meeting to the Personnel Commission board members for approval.

Although the Personnel Commission is the only operating unit that determines salaries for classified employees, the Human Resources Division and the superintendent determine salaries for certificated employees, as indicated previously in Table 2. The Human Resources Division conducts a study that analyzes the level of responsibility of a position by using a standardized template to score a position based on level of supervision, problem solving, and other management factors. The numeric score assigned to the position corresponds to a predetermined salary range. Finally, LAUSD indicates that the superintendent uses an internal alignment approach to set salaries for high-level executive and administrative certificated positions. The board of education must approve the superintendent's decisions.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits to evaluate the impact of LAUSD's reorganizations and review its compensation practices. Specifically, the audit committee asked that we determine how LAUSD tracked cost and position reductions resulting from the 2000 and 2004 reorganizations. Also, the audit committee asked us to determine if community and parent access and participation in the LAUSD policy-making process increased as a result of the 2000 reorganization. Further, the audit committee directed us to determine whether LAUSD has established a periodic evaluation process of its administrative organization. We also were asked to determine whether it developed and, if so, monitors staff performance measures. In addition, we were asked to analyze its practices for setting salaries and determine whether high-level executive and administrative salaries continue to differ widely from similar positions in other school

districts. Finally, the audit committee asked us to determine the extent to which LAUSD implemented recommendations from our similar July 2001 audit.

To familiarize ourselves with state public education requirements, we reviewed relevant laws, rules, regulations, and policies governing administrative staffing and compensation for school districts.

To identify LAUSD's performance measures for the reorganizations and determine what assessments it conducted, we reviewed the reorganization plans adopted by the board of education and interviewed district staff. We also evaluated annual staffing data compiled by LAUSD and cost data from its annual audited financial reports to identify staffing and cost impacts of the reorganizations. Differences between the staffing and financial data should be noted. Staffing numbers reflect total positions employed in December of each fiscal year funded from all sources. The audited financial data is more limited and represents only LAUSD's general fund expenditures for regular program costs. The standards from the U.S. Government Accountability Office require us to assess the reliability of computer-processed data. We determined that the staffing data contained in LAUSD's system was sufficiently reliable for the purposes of this audit. Further, we were able to recalculate LAUSD's trends of staffing changes since fiscal year 1999–2000 with reasonable accuracy. We present those trends in Figures 4 and 5 on pages 16 and 19. We did not test the reliability of the financial data because it is from LAUSD's financial reports, which are audited by independent auditors. In addition to the two reorganizations, we reviewed the impacts resulting from LAUSD's expansion of its legal staff in 2001 and assessed how it measured these results.

To determine whether the 2000 reorganization increased parent and community access to LAUSD's policy-making process, we interviewed parent and community group participants, and local district superintendents and staff. We also reviewed meeting minutes and other documents provided by these groups and assessed how LAUSD evaluated any change in parent and community participation.

To determine whether LAUSD developed performance measures and monitors them, we reviewed year-end performance evaluations and performance goals that were available. We focused this review on high-level executives and managers because these positions are responsible for the overall direction of LAUSD. We also determined whether the superintendent was held

accountable for meeting performance measures. Further, we reviewed a study performed by a peer group that the board of education contracted to review LAUSD's organization and operations.

To determine whether LAUSD's salary-setting practices are applied consistently, we reviewed its written policies and guidelines, where available. We evaluated how LAUSD set the salaries for a sample of high-level positions by reviewing job descriptions, internal salary studies, and other documents. When we did not find adequate documentation of LAUSD's policies or actions, we interviewed district staff to understand its procedures and the justification for determining a particular salary. Further, because our 2001 audit highlighted LAUSD's salary-setting practices as a significant concern, we compared its current practices to the practices that we previously reported.

To determine whether high-level executive and administrative salaries vary with those of other districts, we surveyed seven large school districts to gather salary data and job descriptions to compare to 27 LAUSD positions. We compared the salaries and job descriptions of the four school districts that responded with the comparable LAUSD positions.

Finally, to determine the extent to which LAUSD has implemented our 2001 audit recommendations, we interviewed staff, reviewed its one-year response to that audit, and examined other documents. Additionally, we evaluated how well it implemented our recommendations to establish performance measures for high-level staff and improve its salary-setting practices based on the results of our audit tests as previously described. ■

CHAPTER 1

The Los Angeles Unified School District Did Not Fully Carry Out Various Reorganization Objectives

CHAPTER SUMMARY

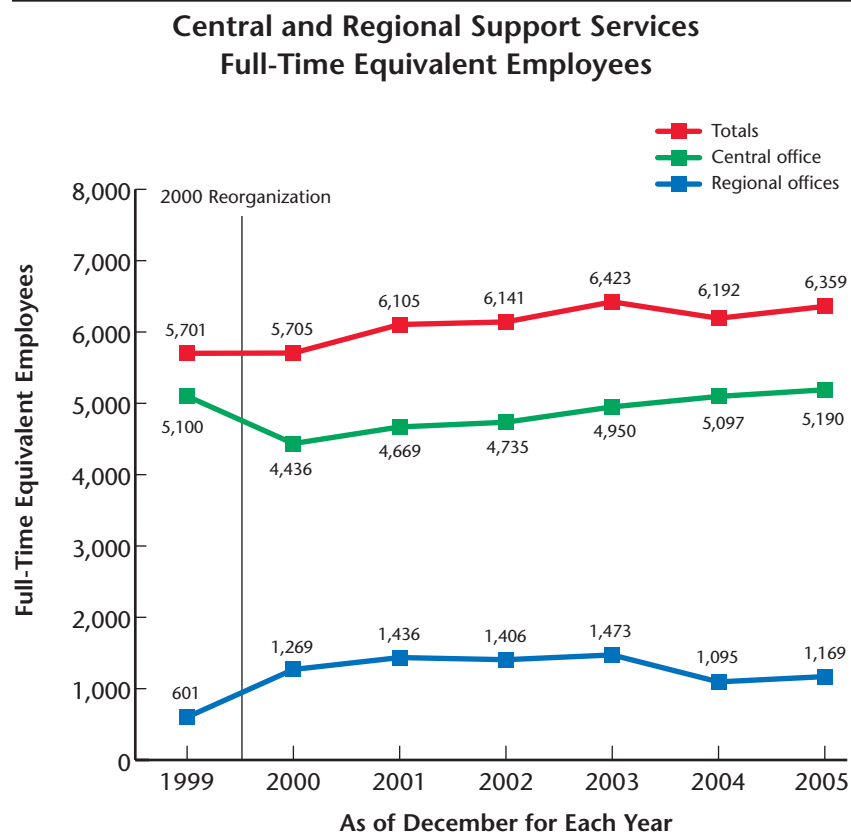
Los Angeles Unified School District (LAUSD) proposed to cut support services positions when it reorganized its administrative structure in 2000 and again in 2004. However, current staffing numbers show that it has been able to make only some of these cuts, and its support services staff has increased since its 2000 reorganization. Most increases are in areas such as facilities and information services, both of which are in the midst of major expansion projects. LAUSD's total number of employees has gone up since 2000, but its support services staff has increased at a faster rate than school services employees. Similarly, annual support services salaries and benefits costs have increased at a faster rate than school services salaries and benefits costs. Further, although LAUSD is below the State's mandated limit of eight administrators for every 100 teachers, this ratio has increased steadily over the last six years.

Another initiative in the 2000 reorganization plan was to create Parent/Community Advisory Councils (advisory councils) at each local district to provide parents and other community members additional access to LAUSD administrators and a means to influence school policy. Half of these advisory councils are no longer functioning, and LAUSD has not attempted to measure parent satisfaction with those still operating. In fact, it has made only limited assessments of any results of its 2000 reorganization. Although it has provided several updates to the LAUSD Board of Education (board of education) on changes to its administrative structure since the reorganization, it has not reported the financial changes resulting from the reorganization, even though the board of education requested this information. This lack of assessing performance is not isolated to the 2000 reorganization. In 2001 LAUSD began to expand its legal staff to be more proactive in resolving legal issues in an effort to decrease overall legal costs. Although it has achieved cost savings, LAUSD has not fully developed the performance metrics it proposed to evaluate progress in meeting its legal expansion goals.

PROPOSED SUPPORT SERVICES STAFF REDUCTIONS WERE NOT FULLY ACCOMPLISHED

For various reasons, LAUSD has not achieved the support services staff reductions outlined in its reorganization plans. The 2000 reorganization plan proposed a reduction of 835 central office support services positions, including shifting 501 of these positions to regional offices and schools. See the text box for an explanation of central and regional offices. By December 2000 LAUSD reduced its central office support services staff from 5,100 to 4,436—664 positions—as shown in Figure 4.

FIGURE 4



Source: Los Angeles Unified School District's Budget Services and Financial Planning Division.

Note: This figure represents employees supported by all funding sources. The number of full-time equivalent employees is calculated by treating each person that works full-time as one employee and those who work part-time as fractional positions based on time worked.

Types of Support Services Employees

Central office—employees primarily located at district headquarters.

Regional offices—employees primarily located at the eight local offices and other field offices.

The district could not tell us whether this decrease was the result of position cuts or transfers, but regional support services positions increased at the same time by 668 positions, so it would appear that most of the decrease was the result of transfers. Further, central office support services staffing has increased in each year since December 2000, and by December 2005 it exceeded the pre-reorganization level. Regional support services positions increased slightly during the same period, but by December 2005 the number of regional positions returned to below the December 2000 level.

According to LAUSD's budget director, several factors contributed to the disparity between proposed and actual staffing cuts. He stated that the 2000 reorganization was the largest but not the only change in the district's organization at that time. As Figure 4 indicates, LAUSD added 658 central and regional support services positions between December 1999, when these positions numbered 5,701, and December 2005, when they numbered 6,359. The Facilities Services Division contributed most to the increase by adding 430 positions during that time. As described in the Introduction, LAUSD has been involved in an aggressive school construction and modernization program since 1997.

Local district office positions grew by 371, mostly as a result of creating the local school districts during the 2000 reorganization. The number of staff members in Information Services units increased by 232 between December 1999 and December 2005. According to the budget director, LAUSD added positions to implement new data systems, including the replacement of its payroll and accounting systems, and to develop a system to track student test scores and other student data. Other units that saw staffing increases were the Business Services Division, Office of the General Counsel, Human Resources Division, Office of the Inspector General, and School Police. Not all operating units grew during this time. In fact, various school services employees within Educational Support units that oversee instructional programs such as the Specially Funded and Parent/Community Program Division, Student Health and Human Services, and Language Acquisition Branch, had a combined net decrease of 419 positions. See Table 3 on the following page for a listing of these changes.

TABLE 3

**Changes in Support Services Positions Between
December 1999 and December 2005**

Operating Unit(s)	Positions
Facilities Services	430
Local Districts	371
Information Services	232
Other (such as Business Services and Human Resources)	44
Educational Support (such as Student Health and Human Services)	(419)
Total increase	658

Source: Los Angeles Unified School District's Budget Services and Financial Planning Division.

LAUSD was aware that the staffing increases in Facilities Services, Information Services, and other central office operating units would affect overall staffing levels, but the 2000 reorganization plan did not account for them. According to the LAUSD executive administrator who led the team responsible for implementing the reorganization plan, the proposed staffing cuts were based on a snapshot in time so that LAUSD could determine which central level resources could be shifted to local district offices. The reorganization plan, therefore, did not give a complete picture of the impact on the overall staffing levels of LAUSD. The budget director also stated that the proposed reductions were not found to be feasible in some cases, resulting in fewer reductions than originally planned. However, he indicated that identifying the reasons for these differences would be time-consuming and even with great effort might not be possible. Moreover, LAUSD acknowledged in the 2000 reorganization plan that, for various reasons, it could not determine the actual impact of its proposed position reductions.

Types of Employees

Support Services—employees who do not interact directly with students, but provide administrative and operational support. They may be located at central, local district, or field offices. Examples include information technology, human resources, and student health and human services employees.

School Services—employees located at schools. Examples include teachers, counselors, principals, bus drivers, and custodians.

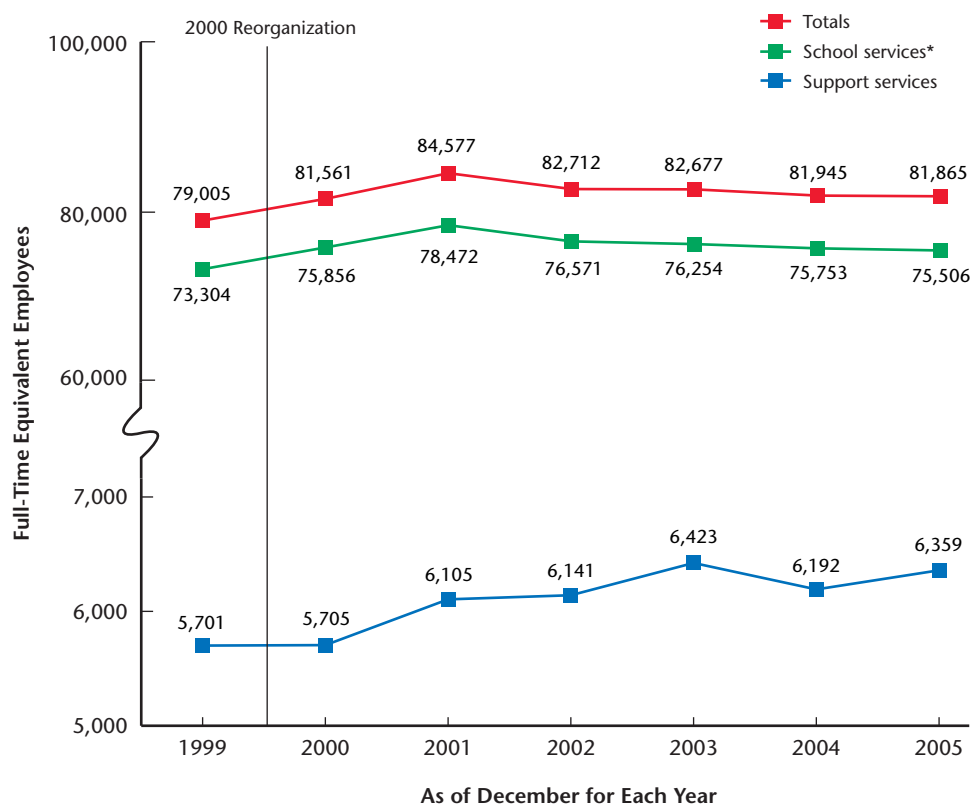
Unlike the 2000 plan, the June 2004 reorganization from 11 to eight local districts produced more staffing reductions than the plan proposed. The 2004 plan proposed an immediate reduction of 205 support services positions, compared with the actual reduction of 231 positions. This net reduction included an increase of 147 central office support services staff and a 378-position decrease in regional support services staff. Although LAUSD achieved a temporary net reduction in positions, its support services staffing

began to increase once again. It added 167 positions (3 percent), increasing from 6,192 in December 2004 to 6,359 in December 2005, as shown previously in Figure 4.

Although certain operating units within LAUSD expanded since December 1999, the percentage increase in support services staff outpaced increases for school services staff as shown in Figure 5. Total support services positions increased by 12 percent from 5,701 positions in December 1999 to 6,359 positions in December 2005, compared with a 3 percent increase in school services staff during the same period. The school services group, as described in the text box, includes employees who work at school locations, and is the largest category of LAUSD employees.

FIGURE 5

School Services and Support Services Employees



Source: Los Angeles Unified School District's (LAUSD) Budget Services and Financial Planning Division.

Note: This figure represents employees supported by all funding sources. This figure excludes positions that LAUSD's budget director could not identify as either school services or support services employees, and positions paid by other agencies such as elected bargaining unit employees. The excluded positions, which annually average 169 positions, make up less than 1 percent of total LAUSD positions and therefore are not significant to our comparison.

* In December 2005 the school services group included 57,869 full-time equivalent positions, or 77 percent of school services positions that provided instructional services, such as teachers and teaching assistants, classroom aides, principals, counselors, librarians, and nurses. The remaining 17,637 positions provide noninstructional services in areas such as office and clerical support, food services, school maintenance, school transportation, and school police.

INCREASE IN SUPPORT SERVICES COSTS OUTPACED COST INCREASES FOR SCHOOL SERVICES EMPLOYEES

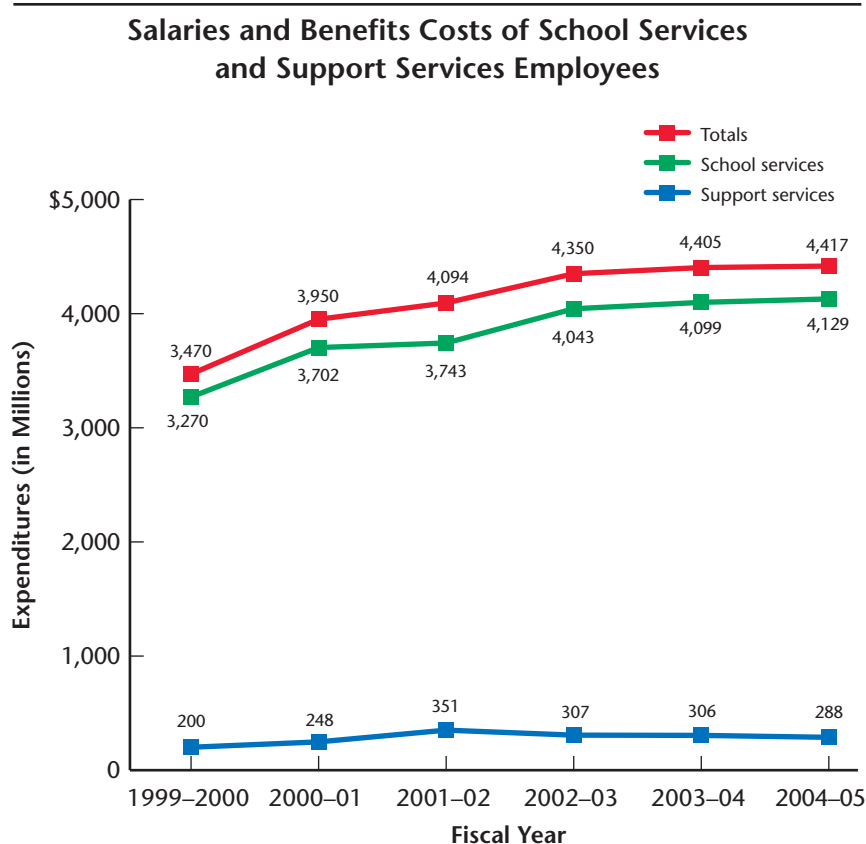
We also found that salaries and benefits costs for support services from fiscal years 1999–2000 to 2004–05 increased at a faster rate than those same costs for school services. However, salaries and benefits costs for support services were, and still remain, significantly less than those for school services. According to the budget director, LAUSD has not calculated the costs resulting from the 2000 and 2004 reorganizations. Therefore, to review salaries and benefits costs before and after the two reorganizations, we reviewed cost data included in LAUSD’s comprehensive annual financial report (financial report) for fiscal years 1999–2000 to 2004–05.³ Our comparison of support services and school services salaries and benefits costs in Figure 6 is similar to our previous staffing comparison, but represents only regular program costs supported by LAUSD’s general fund. The budget director concurs that using data from the financial report provides an appropriate view of changes in salaries and benefits costs because the financial report data seems consistent with the position data he provided us.

Salaries and benefits costs for support services employees increased by 44 percent from fiscal years 1999–2000 to 2004–05, compared to a 26 percent increase for school services salaries and benefits costs.

Salaries and benefits expenditures for both support services and school services employees increased from fiscal years 1999–2000 to 2004–05, which is consistent with the increase in positions discussed in the previous section. The school services group increased 26 percent from the fiscal year 1999–2000 salaries and benefits level, to \$4.1 billion in fiscal year 2004–05, while the support services group’s salaries and benefits level increased by 44 percent to \$288 million during the same period. In reviewing the details of the increase for support services salaries and benefits, we noted the operating units experiencing the greatest increases include Human Resources (63 percent), Office of the General Counsel (188 percent), Information Technology (36 percent), Communication/Public Information (985 percent), Student Health and Human Services (69 percent), and Special Education Services (52 percent). However, we cannot conclude with certainty whether the changes were the result of increased costs, transfers in positions, changes in how the independent auditor classified these positions, or a combination of these reasons.

³ The comprehensive annual financial report is prepared by an independent accounting firm and includes audited financial statements for LAUSD.

FIGURE 6



Sources: Bureau of State Audits' review of the Los Angeles Unified School District's (LAUSD) comprehensive annual financial reports.

Note: These salaries and benefits costs are for LAUSD's general fund regular program, which makes up roughly 80 percent of total salaries and benefits costs. Those costs funded by bonds, special programs, and other funds are not included.

THE RATIO OF CERTIFICATED ADMINISTRATIVE EMPLOYEES TO TEACHERS HAS INCREASED BUT DOES NOT EXCEED THE STATE MANDATED LIMIT

Another important measure to evaluate the impact of LAUSD's reorganization efforts on administrative staffing is the ratio of certificated administrators to teachers. The California Education Code sets the maximum ratio for unified school districts at eight administrators for every 100 teachers, and beginning with fiscal year 2002-03 the State Board of Education requires each district's independent auditor to monitor this ratio. Exceeding this limit causes a district to lose some state funding allocated solely for the purposes of classroom instruction and

improvement. Table 4 describes the types of positions that are included in the ratio. According to the assistant superintendent of planning, assessment, and research (assistant superintendent), LAUSD conducts a survey of its certificated employees each fall to calculate this ratio.

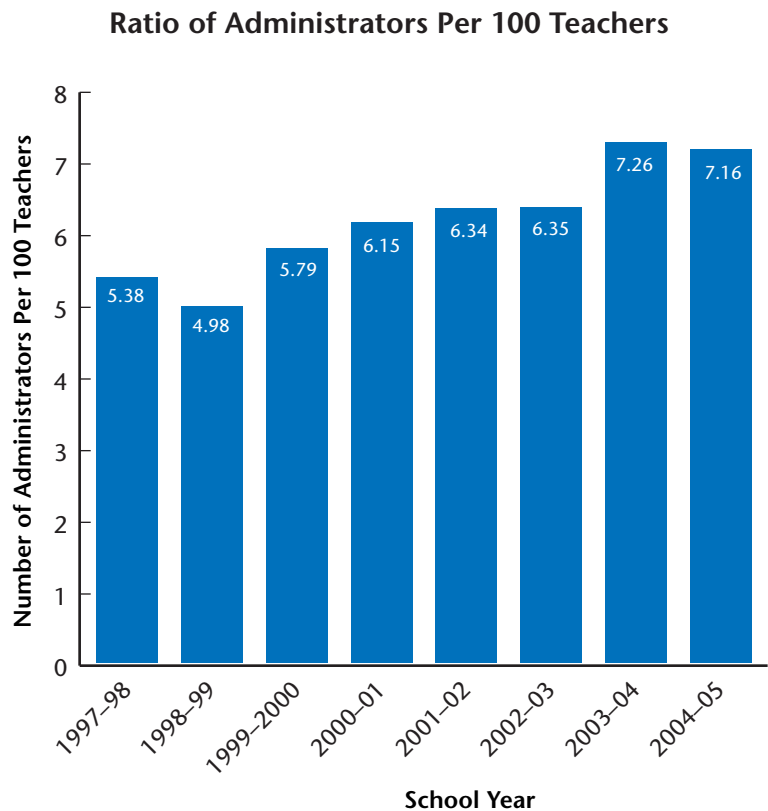
TABLE 4

Employee Categories	
Type of Employee	Positions Included
Included in administrator to teacher ratio	
Administrative employee	All individuals employed in positions requiring certification qualifications who are not pupil services employees or teachers. Examples include principals, assistant principals, local district superintendents, and other certificated staff working in a nonteaching position at a school site, local district office, or the central office.
Teacher	All individuals employed in positions requiring certification qualifications whose duties require him or her to provide direct instruction to pupils.
Not included in administrator to teacher ratio	
Classified employee	Employees whose positions do not require certification qualifications. Examples include clerical staff, janitorial staff, and cafeteria staff.
Pupil services employee	Employees whose positions require standard designated services credentials, health and development credentials, or librarian credentials who provide direct services to pupils. Examples include librarians, nurses, counselors, and psychologists.

Sources: The California Education Code, Section 41401, and Bureau of State Audits' review of documents.

As shown in Figure 7, the ratio of administrators to teachers generally has been increasing over the last six years. The ratio was 4.98 administrators for 100 teachers in the 1998–99 school year, which was calculated based on 1,740 administrators and 34,870 teachers. By the 2004–05 school year, the ratio reached 7.16, based on the increased number of 2,575 administrators and 35,921 teachers.

According to the assistant superintendent, LAUSD has not conducted a formal analysis of the reasons for the changes in the administrator-to-teacher ratio from year to year because there is not a requirement to do so. However, the assistant superintendent indicated that changes in student enrollment and policy changes either initiated by LAUSD or outside its control may have contributed to the increasing ratio of administrators to teachers. For example, she stated that a decline in student enrollment might have led to a drop in teaching positions. We noted in the Introduction that student enrollment dropped from a peak

FIGURE 7

Sources: Los Angeles Unified School District's (LAUSD) Planning, Assessment, and Research Division records.

Note: The statutory limit for unified school districts is eight administrators per 100 teachers. The California Department of Education states that before fiscal year 2002-03 it only collected ratio information provided by school districts and calculated any penalties, which it then reported annually to the Legislature. However, the California Department of Education indicates that it was not required under state law to verify the information. LAUSD's independent auditor confirmed the ratios for fiscal years 2003-04 and 2004-05. It also indicated auditing the ratio for fiscal year 2002-03, but could not confirm this ratio. The independent auditor has not yet audited the ratio for fiscal year 2005-06, so we do not present it.

of approximately 747,000 in the 2002-03 and 2003-04 school years to 741,000 in the 2004-05 school year. Similarly, the number of teachers fell from 36,910 to 35,921 in the same time frame. The assistant superintendent also provided some possible reasons for increases in administrator positions, including hiring additional assistant principals to comply with special education policy changes that resulted from a lawsuit against the district and hiring additional administrators to manage small learning communities that LAUSD introduced into some schools. However, she was unable to provide supporting evidence to link these enrollment and policy changes to the increase in the administrator-to-teacher ratio.

LAUSD ACHIEVED COST SAVINGS BY EXPANDING IN-HOUSE LEGAL SERVICES, BUT IT DID NOT FULLY DEVELOP PROPOSED PERFORMANCE METRICS

LAUSD expanded its legal services staff in 2001 to improve the quality of legal services it receives and proposed to evaluate the expansion through six sets of performance metrics.

Distinct from the reorganizations we have already discussed, LAUSD expanded its legal services staff in 2001 to improve the quality of legal services it receives. It also proposed to evaluate its expansion through six sets of performance metrics. This expansion was based on the board of education and the superintendent's commitment to having LAUSD understand its legal rights and obligations so it might achieve the maximum benefit from the law while avoiding unnecessary legal entanglements. Although it has achieved cost savings and other potential benefits, LAUSD did not fully develop the six performance metrics with which it proposed to measure its legal expansion plan.

The Expansion of Legal Services in 2001 Produced Cost Savings

Shortly after it adopted the 2000 reorganization plan, the board of education approved a separate plan in February 2001 to expand LAUSD's in-house attorneys and legal support staff. LAUSD created seven teams of attorneys, each providing preventive counseling to different operating units such as the Facilities Services, Business Services, and Special Education divisions. The plan proposed adding 18 to 20 attorneys to the staff of 12 attorneys it already employed. LAUSD continues to retain some outside law firms to handle litigation and other highly specialized services.

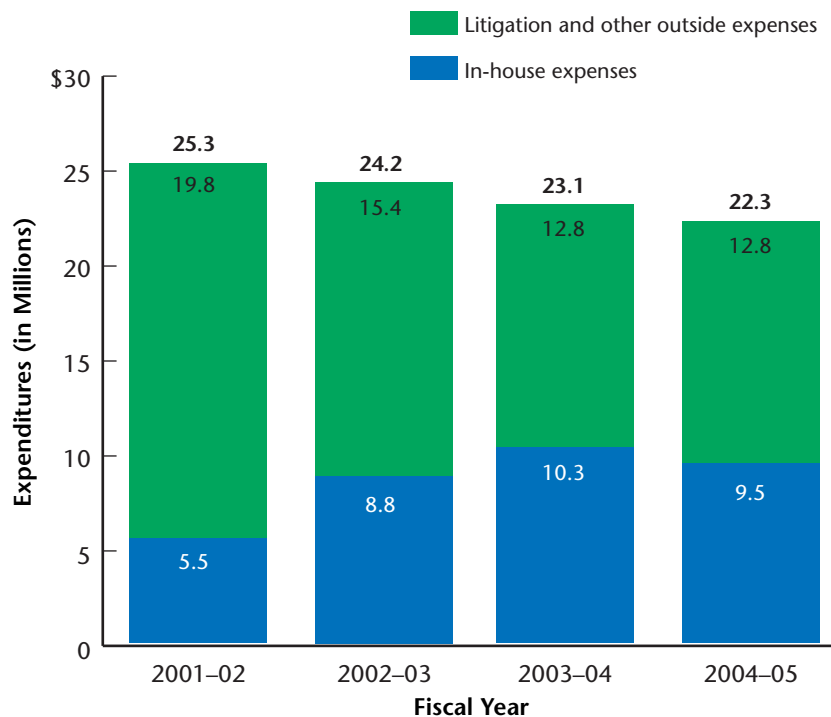
As indicated in Figure 8, LAUSD's in-house and outside legal costs have fallen by \$3 million, from \$25.3 million in fiscal year 2001–02 to \$22.3 million in fiscal year 2004–05. Although LAUSD incurred additional in-house costs such as salaries, benefits, supplies, and travel as it hired more legal staff, its fees for outside legal services decreased at a more rapid rate.

In addition to a decline in outside legal services costs, LAUSD reported experiencing a decrease in settlement and judgment costs over the same period.⁴ However, we cannot comment on the extent of cost decreases because we could not verify that the amounts LAUSD provided to us were accurate. Although decreases in settlements and judgments were reported, the extent to which the expansion of in-house legal staff has contributed directly to the reduction in these costs is unknown.

⁴ These are either amounts LAUSD agrees to pay to settle cases or court-ordered amounts resulting from judgments made against it.

FIGURE 8

Annual Costs of In-House and Outside Legal Services



Sources: Los Angeles Unified School District's (LAUSD) financial reporting database, and its Office of the General Counsel's internal records of outside counsel expenses.

Note: This figure excludes bond-funded expenses, which annually average \$11 million, that LAUSD believes are best handled by outside legal counsel. This figure also excludes information technology and other support services provided by outside contractors, as well as settlement and judgment costs.

According to LAUSD's general counsel, based on the types of claims filed and the district's success in defending claims, he believes there is a direct, if not measured, relationship between the improved internal legal advice and the subsequent reduction in cases filed and judgments levied. However, other factors outside LAUSD's control also contribute to annual settlement and judgment costs, including the number and type of cases filed against the district. Thus, isolating the effect of any one factor is difficult.

LAUSD Did Not Fully Develop the Performance Metrics It Proposed in the Legal Expansion Plan

The costs of legal services and of settlements and judgments were only two of the six performance metrics that LAUSD proposed to develop to measure the success of expanding legal services. It proposed to measure these six performance metrics to ensure that it is achieving the goals established in the plan, and the board of education adopted the use of the proposed metrics when it adopted the plan. As shown in Table 5, although LAUSD has tracked most of the data for these metrics, it has not fully developed any of them by setting quantifiable goals and measuring itself against those goals.

TABLE 5

Performance Metrics Proposed to Measure the Results of the Legal Expansion in 2001

Performance Metric	Metric Is Tracked	Metric Is Fully Developed
Cost of outside legal services	Yes	No
Departmental use of outside legal services	Yes	No
Number of cases filed against the district	Yes	No*
Costs of settlements and judgments	Yes	No*
Use of in-house counsel and related staff	Yes	No
Timeliness of counsel responses	No	No

Source: Plan for Reorganization of Legal Services (legal expansion plan) submitted by the Los Angeles Unified School District (LAUSD) to the LAUSD Board of Education in February 2001.

* Although these metrics were proposed in the legal expansion plan, as noted in the previous section, we are unsure how LAUSD would fully develop them. Nevertheless, it has not performed an analysis to determine whether these metrics are viable.

For instance, in measuring the cost of legal services, LAUSD's plan contemplated decreasing these costs, particularly outside litigation, but recognized short-term costs may rise as it uses more in-house counsel for preventive advice while it begins to cut back on the use of outside legal counsel. Although LAUSD anticipated this general trend in spending, it did not set measurable performance benchmarks to evaluate whether the trend was reasonable, such as a goal to decrease overall legal costs by a certain percentage in a specific time frame. The general counsel contended that his office sets such performance

goals when it develops annual budgets for outside legal costs. Since December 2002 the Office of the General Counsel has been asked to report quarterly to the board of education on actual costs compared with budgeted costs for current and past fiscal years, but the information it provided us does not demonstrate that it uses this data to set future performance targets.

Another performance metric proposed by LAUSD was to measure the use of in-house legal staff. For instance, the plan proposed establishing legal budgets within individual operating units and charging in-house legal costs against those budgets to prevent the operating units from overusing services. According to the general counsel's chief of staff, this change was not implemented due to resistance from operating unit managers and the belief that restricting operating units to their legal budgets would dissuade them from seeking preventive counseling.

Additionally, LAUSD did not track or develop its metric to measure the timeliness of counsel responses. The chief of staff believes this metric cannot be measured easily because the data needed for the performance measure would consume too much time to track and because comparisons among tasks often would be misleading.

Without establishing goals and performance targets, LAUSD lacks an objective way to determine which goals of the legal expansion plan it is meeting and which ones it is not.

In response to why the Office of the General Counsel did not follow through on the metrics proposed in the plan, the chief of staff indicated that he believes the board of education adopted the concept of the plan and that minor plan modifications do not require board approval. However, under the law, the school district's board of education is the policy-making body. When the board adopted the legal expansion plan, the plan became policy that LAUSD was then obligated to follow or seek a change from the board. LAUSD occasionally has updated the board of education on data that it tracks since it expanded its legal staff, such as annual costs of legal services, settlement costs, and judgment costs. Nevertheless, without establishing such goals and targets, it lacks an objective way to determine which goals it is meeting and which ones it is not, which will aid in reevaluating its operations. The chief of staff stated that LAUSD would develop additional performance metrics. These metrics will include reinstating performance evaluations for legal staff, and better ways to use data it tracks to manage its legal resources. It also issued a survey recently to measure client satisfaction with timeliness of assistance and other factors.

THE NEW AVENUES FOR PARENT AND COMMUNITY ACCESS CREATED BY THE 2000 REORGANIZATION, THOUGH UNEVALUATED, APPEAR INEFFECTIVE FOR THE MOST PART

One of the primary purposes for creating local-level districts in 2000 was to enable greater contribution from parents, students, teachers, administrators, classified employees, and the community at large toward increasing student achievement.

The 2000 reorganization established advisory councils intended to provide new ways for parents and community members to communicate with district administrators, but LAUSD has not ensured that they are functioning as intended, and it has not measured their effectiveness. According to the reorganization plan, a primary purpose for creating local-level districts in 2000 was to enable greater contribution from parents, students, teachers, administrators, classified employees, and the community at large toward increasing student achievement. The plan proposed a 19-member advisory council in each local district consisting of parents, community members, and local district employees.

These councils were intended to allow parents and community members to provide feedback on the development and review of performance toward local district educational goals and plans. The advisory councils also were to participate in reviewing the performance of the local district superintendents. In addition, the councils were to serve as a communication link among the school communities, the local district superintendent, and the board of education. The plan provided general guidelines for the advisory councils, but decisions regarding the activities each would be involved in were left up to the local district superintendents and the advisory councils themselves. According to one local district superintendent, there was no guidance from the central office regarding what the advisory councils would do. In addition to the advisory councils, each local district operates committees for parents of economically disadvantaged students and limited English-proficient students. According to the assistant superintendent for specially funded and parent/community programs, these committees meet monthly with their respective local district superintendents to provide direct input into the expenditures for parent and other activities related to their needs.

Select members of the advisory council and the two committees at each local district participate on the Parent Collaborative. Among other responsibilities, the purpose of the Parent Collaborative is to bring together parent representatives from the local districts and organizations to make recommendations to meet the needs of the local schools and offer suggestions for change and to implement LAUSD policy.

Only four of the eight local districts currently have active advisory councils, and only two of them appear to be functioning as the plan intended.

Although the 2000 reorganization plan created an advisory council in each local district, only four of the eight local districts currently have active advisory councils, and only two of them appear to be functioning as the plan intended. For example, a parent ombudsperson stated that one of these advisory councils has created two parent organizations. One provides training to parents during monthly meetings depending on their needs, while the other has school representatives who help develop the training for the monthly meetings of parent groups at the schools. The advisory councils at two other local districts are still operating, but they serve only to receive information from district administrators. According to a local district superintendent, the advisory council at her district has struggled since the 2004 reorganization and is currently working to redefine its role.

There are several reasons why the other advisory councils are no longer operating. According to the current Parent Collaborative chairperson, the advisory council in a fifth local district stopped meeting because of the frequent turnover in the local district superintendent position. Each new local district superintendent brought a new culture to the advisory council and parents became frustrated with the frequent changes and the inability to make an impact. According to another local district superintendent, a sixth advisory council disbanded after the 2004 reorganization because there was no guidance from the central office on how to reorganize the advisory council within the new district. However, he stated that the other parent groups within the local district continued to meet and to provide a forum for parent input. For the remaining two advisory councils, the parent ombudspersons were unsure why the advisory councils were no longer meeting.

LAUSD has not taken steps to measure the impact advisory councils may have on access to district administrators and the policy-making process. According to the assistant superintendent, LAUSD has not conducted parent satisfaction surveys since the late 1990s. Given the problems with establishing and maintaining the advisory councils at each local district, and the lack of evaluation of their effect, it is apparent that the advisory councils are not serving the purpose that the 2000 reorganization plan intended.

ASSESSMENTS OF THE 2000 REORGANIZATION RESULTS AND AUDIT RECOMMENDATIONS ARE LIMITED

When the board of education adopted the 2000 reorganization plan to create the local district offices, it required LAUSD to perform some follow-up studies.

LAUSD has made some efforts to assess the impact of the 2000 reorganization but has not tracked its status in implementing recommendations from our 2001 audit report. When the board of education adopted the reorganization plan to create 11 local district offices, it required LAUSD to perform some follow-up studies. For example, the 2000 plan established a corrective action team to monitor implementation of the reorganization and report any significant changes to the board of education. The corrective action team submitted three progress reports to a board of education committee between June 2000 and January 2001, but the executive administrator who led the team (executive administrator) could only provide documentation on the latter two reports. The team updated a committee of the board of education on the number of budgeted central office and local district positions, the anticipated legal expansion plan and changes to other operating units and programs, and other changes since the 2000 reorganization.

Additionally, in our 2001 audit we reported that the proposal in the 2000 plan to move decision-making authority from the central office to the newly formed local districts did not occur. This shift was intended to allow local districts to tailor decisions to address the needs of their smaller communities better, while the central office's role would change to providing technical assistance to the local district offices. However, as we stated in our earlier report, the local district offices had limited authority over the use of their budgets, while the central office retained its authority to develop instructional policy. Additionally, LAUSD provided a decision matrix compiled by a team of local district superintendents in 2001 to a committee of the board that identified instructional responsibilities between the central and local district offices. It also presented a decision matrix with a breakdown of noninstructional responsibilities between central, local district, and school levels to the same committee later that year. Both documents indicated that the central office would retain much of its decision-making authority.

The board of education also wanted the annual budget to include an appendix on financial changes resulting from the reorganization. However, we did not find an analysis of the net financial impact from decreasing central office positions and creating local district office positions in the fiscal year 2000–01 annual budget. LAUSD's deputy budget director did not provide us a response as to why this analysis was not included. The board also required

LAUSD to reassess each district's demographics one year after the implementation to determine whether changes to the local district boundaries were needed. According to the executive administrator, LAUSD performs annual assessments of individual school site boundaries rather than local district boundaries. Therefore, it did not initiate these reviews in response to the reorganization as the board of education requested.

LAUSD also has not adequately tracked its status on implementing recommendations from the 2001 audit report. It addressed less than half of the recommendations in its one-year response to the audit. According to the executive administrator, she was initially responsible for drafting a corrective action plan to address the recommendations but was reassigned to another project; this responsibility was not transferred to another executive manager. We report on LAUSD's status in implementing our 2001 audit recommendations in Appendix A.

RECOMMENDATIONS

When LAUSD makes major changes in its organizational structure with the intent of improving its operations, it should do the following to measure the effectiveness of these changes:

- Consider ways to track the impact of these organizational changes on such factors as staffing and cost.
- Develop performance metrics with goals and quantifiable benchmarks to evaluate itself on its progress in achieving the planned improvements.

If LAUSD decides to continue with the advisory councils, it should:

- Evaluate why the advisory councils have not met the objectives set out in the 2000 reorganization plan.
- Develop more specific guidelines on what the advisory councils should accomplish, define the local districts' roles and types of assistance they would offer, and develop a mechanism for monitoring and oversight to ensure that the advisory councils operate as intended. ■

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CHAPTER 2

The Los Angeles Unified School District Has Made Progress but Still Needs to Improve Its Processes for Evaluating and Compensating Executive Managers

CHAPTER SUMMARY

Our 2001 audit of the Los Angeles Unified School District (LAUSD) found that it did not establish specific, easily measurable performance standards for certain high-level administrators, and the performance standards that did exist were vague and open to subjective interpretation. Although we found that performance measures for the superintendent are well defined and measurable, LAUSD still has not established performance benchmarks for executive managers or consistently maintained documentation of past evaluations. In addition, a January 2006 review of LAUSD by a peer group of other school administrators, which the LAUSD Board of Education (board of education) brought in, found little evidence that staff were evaluated on their ability to attain goals and benchmarks or faced consequences for failing to meet benchmarks.

Our 2001 audit also found that LAUSD did not have written procedures for determining salary levels for some positions and that it did not always follow the written procedures it did have in place. In addition, LAUSD could not provide sufficient documentation supporting the salaries it set, and in some cases salaries were determined based on outdated job descriptions. Although LAUSD has made improvements since 2001, it needs to do more. The Personnel Commission uses updated job descriptions but still does not have written procedures for determining salaries and has insufficient documentation to support salary recommendations presented to it. In contrast, LAUSD has addressed most of our previous concerns over its method of setting salaries for top executives and for certificated managers.

As part of our current audit, we conducted a survey of six large school districts nationwide and the second largest school district in California to compare LAUSD's salaries for 27 high-level administrator and executive positions. Based on the four responses we received, LAUSD pays higher salaries for

more than half of these positions, but factors such as cost of living, size of enrollment, and differences in scope and range of responsibilities may justify the differences.

LAUSD SHOULD ESTABLISH PERFORMANCE BENCHMARKS AND MAINTAIN PAST EVALUATIONS FOR ITS EXECUTIVE MANAGERS

LAUSD may not be able to assess the performance of certain executive managers effectively because it has not established specific and measurable performance standards. Furthermore, it has not maintained past evaluations for most of its executive managers. Executive managers are the most senior employees of LAUSD and are employed under contract. Examples include the chief operating officer, chief facilities executive, and local district superintendents. The board of education has established specific, easily measurable goals for the superintendent, but the superintendent has not replicated this practice with his local district superintendents, and he does not perform written evaluations of other executive managers that report to him. Further, the performance measures for local district superintendents are not associated with measurable performance goals. Additionally, a peer group found little evidence that district staff were evaluated explicitly on their ability to attain specific goals and benchmarks.

The board of education has established specific, easily measurable goals for the superintendent, but the superintendent has not replicated this practice with his local district superintendents.

Performance Measures for the Superintendent Are Well Defined and Based on Measurable Goals

The board of education and the superintendent established measurable three-year goals for LAUSD to evaluate his performance in 2004. The superintendent has nine goals related to improving student outcomes and one goal related to developing facilities. The remaining goal is to meet requirements established by a federal consent decree that requires LAUSD to improve various performance indicators for students with disabilities. Each goal is based on statistical metrics that include a benchmark and an objective measure of progress. For instance, one goal is to reduce the gap between LAUSD's mean Academic Performance Index (API) score by 20 percent of the state API target of 800 in three years, or approximately 7 percent annually. Another goal is to decrease the achievement gap between Caucasian students and African American and Hispanic students in English language arts and mathematics by 3 percent, or an average of 1 percent per year. These are good examples of specific and measurable goals for the superintendent

to achieve; we believe he could use them as a basis for establishing goals for local district superintendents and other executives responsible for improving student outcomes.

The superintendent reported LAUSD's progress in meeting his goals in September 2005. The report showed that he was meeting some of his goals and falling behind on others. For example, the report indicated that LAUSD met the API goal but did not meet its goal for decreasing the achievement gap in almost all areas. These are clear and quantifiable performance measures because they are based on statistical data that can be measured and monitored easily. This data makes the progress of the district clear, so the superintendent is always aware of the status of the performance measures he is being evaluated against. According to the board's executive officer, the board of education has not formally evaluated the superintendent's progress in meeting these goals because the three-year period has not ended yet, but that informal evaluations take place regularly.

Unlike the Superintendent, Local District Superintendents are Not Evaluated Against Quantifiable Goals

Despite local district superintendents' key roles in improving student performance, the superintendent's evaluation of them is not based on explicit performance benchmarks or metrics that local district superintendents are expected to meet. As will be discussed in the next section, we were able to review a completed

evaluation for only one of the eight local district superintendents. This evaluation, which LAUSD indicated is the standard form used, is a one-page document with 13 performance factors with **yes** and **no** boxes to check. Most factors address a local district superintendent's ability to improve student achievement in the classroom. We noted that data-driven performance measures could be attached to most of the performance factors. For example, several factors call for the local district superintendent's actions to "improve student outcomes," but they lack benchmarks and fail to indicate how much improvement is expected or how to measure progress objectively. See the text box for examples of factors in the local district superintendent's evaluation.

Examples of Factors in the Local District Superintendent Evaluation

- "Open court [a reading program] data are utilized by Local Superintendent, Directors, and principals to increase program implementation and improve student outcomes."
- "Math periodic assessment data are utilized by Local Superintendent, Directors, and principals to design appropriate staff development and improve student outcomes."

Source: Local district superintendent evaluation form for the 2004–05 school year.

Further, the superintendent has not extended LAUSD's specific goals and performance metrics—which are outlined in the board of education's goals for him—to quantify goals and performance metrics for the local district superintendents. For example, one of the superintendent's performance goals is to

increase the percentage of English learner students, reclassified as fluent English speakers, by 6 percent over the three-year period, with an average increase of 2 percent per year. Similarly, the superintendent evaluates whether the “Local District Superintendent provides effective leadership to District’s ELL [English Language Learner] and SELL [Standard English Language Learner] instructional improvement efforts.” Although the goal established for the superintendent is specific and measurable, the evaluation of the local district superintendent is subjective—asking for only a **yes** or **no** response—and lacks a specific, measurable goal to evaluate if the individual provides effective leadership in this area.

The superintendent indicated that his evaluations of subordinates are not solely statistically driven. Instead, he also evaluates local district superintendents based on their ability to lead; handle emergencies; deal with the public and media; and to hire, train, and develop those under their supervision, but stated he does not prepare a written evaluation that deals directly with these factors. He also stated that these evaluations are made over time, through a series of meetings and conversations. He and the local district superintendents frequently review data regarding the academic progress of the district, local districts, and smaller subsets. However, he stated that no metrics are set as goals for the local district superintendents to meet, even though the district maintains extensive data on student test scores and other indicators of performance. Local district superintendents are held accountable for their job performance with a primary focus on student achievement and the improvement of instruction. Although we agree that factors the superintendent describes and his interactions with the local district superintendents provide valuable insights into their performance, using measurable performance standards could make the evaluations more meaningful and useful to hold them accountable for improving student achievement.

The superintendent stated that no metrics are set as goals for the local district superintendents to meet, even though the district maintains extensive data on student test scores and other indicators of performance.

LAUSD Could Not Provide Performance Measures or Evaluations for 25 of the 28 Executive Managers We Requested

Of the 28 fiscal year 2004–05 evaluations for executives that we requested, LAUSD was able to provide performance measures only for the superintendent and evaluations for one local district superintendent and the deputy chief executive for school building planning. Performance evaluations can be useful tools to measure and direct the progress of LAUSD’s efforts to improve student outcomes. A national peer group that reviewed LAUSD agrees that the district must establish specific performance measures and evaluate employees against them to hold them

accountable. Further, the 2000 reorganization plan stated that the superintendent would evaluate the local district superintendents annually based on achievement of education goals, effective use of delineated authority, responsiveness to schools' needs, and recommendations of field and central office staff. Given that LAUSD has recognized the need to improve student performance, defining performance measures and tracking them against benchmarks—such as improvement in standardized test scores and reduction of dropout rates for local district superintendents to achieve—would provide an objective way to measure progress. In addition, performance measures along with specific goals would provide greater accountability for other managers whose areas of responsibility affect student performance. Managers who oversee internal operations also should have performance measures tied to their attainment of LAUSD goals.

According to LAUSD administrators, some performance evaluations were not available because the superintendent does not perform written evaluations for some positions, and others could not be located or had been destroyed.

According to LAUSD administrators, some performance evaluations were not available because the superintendent does not perform written evaluations for some positions; others were unavailable because the records could not be located or had been destroyed. For example, we requested evaluations for various operating unit managers who report to the chief operating officer or the chief financial officer. Both executive managers were new to their positions in fiscal year 2005–06, and neither could locate any fiscal year 2004–05 performance evaluations performed by their predecessors. We also requested evaluations of several local district superintendents and other administrators who report to the executive officer for educational services, but an LAUSD official told us that the individual formerly holding that position had shredded her files when she left the district. One local district superintendent was able to provide us with her own evaluation because she had kept a copy. The superintendent's chief of staff said the superintendent does not complete written evaluations for most senior staff, but he does conduct ongoing evaluative conversations with them. She also stated that several senior staff members have experienced negative consequences due to a less than satisfactory performance evaluation, including termination, demotion, and having their contracts shortened or not renewed. However, without copies of the evaluations to draw on, LAUSD may limit its ability to track and hold executive managers accountable for their performance over time.

The Council of the Great City Schools Also Found Accountability Lacking for Executive and Administrative Manager Positions

The Council of the Great City Schools (schools council) completed a review in January 2006 of LAUSD's organization and operations. Among its findings, the schools council

The schools council observed little evidence that staff at any level were evaluated explicitly on their ability to attain goals and benchmarks or faced consequences for failing to meet performance goals.

observed little evidence that staff at any level were evaluated explicitly on their ability to attain goals and benchmarks or faced consequences for failing to meet performance goals. The schools council describes itself as a non-profit coalition of 66 of the nation's largest urban school systems that has conducted more than 100 instructional, management, and operational reviews in more than 30 large city school districts over the last several years. In October 2004 the school board and superintendent of LAUSD asked the schools council to review the district's organization and operations and make recommendations for improvement.

In its report to LAUSD, the schools council indicated that the effective operation of any organization, especially a large urban school district, and the ability of the organization to meet its mission requires clear goals, measurable indicators of progress on goals, evaluation of efforts toward the goals, and a mechanism for holding people accountable for the attainment of these goals. The schools council recommended that LAUSD improve the accountability of executive managers by tying district goals directly to employee contracts and revamping the evaluation process to ensure that they are evaluated explicitly on the goals. In addition, it recommended that a goal of controlling costs without compromising services be included in the performance evaluations of executive managers. The schools council also advised LAUSD to place local district superintendents on performance contracts tied to the attainment of academic goals and benchmarks of their local districts. LAUSD has hired a consultant to help analyze and implement the recommendations proposed in this review. The consultant indicated to us that his efforts will address the organizational and accountability concerns expressed in the schools council's review.

CLASSIFIED SALARIES PROPOSED BY THE PERSONNEL COMMISSION APPEAR SUBJECTIVE DUE TO LACK OF WRITTEN POLICY AND INCONSISTENT DOCUMENTATION

The Personnel Commission does not have written procedures for determining salary levels for classified administrative positions. See the text box for examples of classified employees. It used several methods to set salaries for the positions we reviewed, and many of its files do not sufficiently document the analysis that supports these salaries. We had similar concerns in our 2001 audit. The Personnel Commission consists of a three-member board that provides human resource services for

classified employees with staff who are supposed to perform the analyses needed to support these decisions. The Personnel

Classified Employees

These are employees whose positions do not require certification qualifications. Examples include Information Technology, Finance, and Facilities Services staff.

Commission board members conduct public meetings to approve salary recommendations provided by its staff and to allow stakeholders the opportunity to voice their opinions at these meetings. However, the lack of comprehensive written procedures and insufficient documentation leaves the Personnel Commission vulnerable to criticism that the process it uses to set salaries lacks objectivity, thoroughness, and consistency. The

Personnel Commission is a public agency whose special authority makes it mostly independent from the school board, so it has a responsibility to make sure that its use of public resources is reasonable and appropriate.

The Personnel Commission Does Not Have Written Procedures for Determining Classified Salaries

The Personnel Commission has only partly resolved our concern about lack of written procedures for setting classified administrator salaries, which we identified in our previous audit. In 2001 we reported that the Personnel Commission used internal alignment, salary surveys, employment consultants, and consideration of market factors. (We describe these practices in the Introduction.) At that time the deputy personnel director asserted that all these practices were accepted in the personnel profession; however, we noted that the Personnel Commission had not put them in writing to ensure their consistent application.

The Personnel Commission has created written guidelines since our 2001 audit, such as suggestions for conducting a salary survey. However, according to its chief human resources specialist, who is responsible for overseeing classified salary studies, these guidelines serve only as a resource for staff and not as policy that staff must follow because every salary study has different circumstances. We also found that these guidelines are vague concerning methods for staff to follow, unlike the Human Resources Division, which has detailed procedures that describe the process for staff to follow when developing salary recommendations. For instance, the Personnel Commission's guideline for conducting a salary survey describes various sources that may be used to determine comparable organizations to survey. However, this guideline does not describe the information to collect, how to synthesize

it, or factors to consider when determining whether information is from an organization comparable to LAUSD. Additionally, although the guideline states in general terms the types of organizations to survey, it does not give criteria for the minimum or maximum number of organizations staff should survey.

The chief human resources specialist asserted that Personnel Commission staff possess the proper education and training on standard industry practices for determining salaries. She further explained that multiple reputable sources on determining salaries offer courses on such methods but that different organizations may vary on which approaches to adopt as practice. We do not question that staff are educated properly and qualified to conduct salary studies; nor do we question the techniques they use. However, it is prudent for the Personnel Commission to establish clear and objective written procedures for setting salaries to ensure that its staff apply these methods consistently, especially when several methods exist. Also, as discussed in the next section, the commission's files lack documentation to demonstrate clearly how each salary-setting decision was reached. Having established rules lends further objectivity and transparency to the salary determination process, which is essential for a public agency with a stewardship responsibility over the use of public funds.

Most Salary-Setting Decisions for Classified Managers Lack Documentation to Justify Them

The concerns we raised in our 2001 audit regarding the Personnel Commission's lack of sufficient documentation to support salary-setting decisions remain mostly unchanged. For 11 of the 15 salary-setting decisions we reviewed for this report, the Personnel Commission did not maintain sufficient documentation to demonstrate how it determined the salaries awarded. It is important to establish reasonable procedures, follow these procedures consistently, and document them adequately to limit the appearance of subjectivity.

It is important to establish reasonable procedures for setting salaries, follow these procedures consistently, and document them adequately to limit the appearance of subjectivity.

To evaluate the Personnel Commission's process for determining classified administrative salaries, we reviewed the salary-setting decisions for 15 of the highest-paid positions filled during 2004 and 2005. Table 6 describes the salary determination methods used for these positions. The salary-setting decisions show a lower average percentage of change than the sample of 20 salaries we reviewed in 2001. The largest salary increase in the current review is 10.2 percent, compared with a 66 percent increase in one of the salary-setting decisions we reviewed in 2001.

TABLE 6

Methods Used to Determine Salaries for 15 Classified Positions

Position	Contracted Position	Salary or Salary Range	Percent Change From Prior Salary*	Up-to-Date Job Description	Methods Used in Salary Study						New Steps Added to Range	Salary Determination Is Fully Documented
					Historical Precedent	Salary Survey Conducted	Salary Survey Used	Market Factors	Internal Alignment			
General counsel	✓	\$228,375	No change	✓	✓†							✓
Chief facilities executive	✓	192,618–214,999	7.18%	✓		✓	✓		✓			
Chief of staff, office of the general counsel	✓	177,625	New position	✓		✓	✓		✓			
Deputy chief financial officer	✓	161,528–170,654	No change	✓							✓‡	✓
Executive director of charter schools	✓	126,494–157,605	New position	✓		✓			✓			
Personnel director		123,401–150,692	7.64	✓		✓	✓	✓				
Director of maintenance and operations	✓	122,318–151,080	10.23	✓		✓		✓	✓			
Director of school building planning	✓	122,318–151,080	New position	✓	✓§							✓
Deputy chief human resources officer		109,072–135,185	4.57	✓		✓	✓					
Deputy personnel director		109,072–135,185	7.20	✓		✓	✓	✓				
Deputy director of maintenance and operations (planning and standards)		101,842–126,742	8.94	✓		✓	✓	✓	✓			
Chief deputy director of environmental health and safety		98,188–121,626	New position	✓		✓			✓			✓
Director of community outreach		95,787–118,664	8.73	✓		✓			✓			
Program and policy development advisor		95,787–118,664	New position	✓		✓	✓		✓			
Director of information systems, facilities		93,908–116,341	(14.27)	✓					✓			

Sources: Bureau of State Audits' review of files from the Los Angeles Unified School District's (LAUSD) Personnel Commission.

Note: We also reviewed the salary set for the special counsel to the board of education position, but, according to the chief human resources specialist, the LAUSD Board of Education (board of education) negotiated this salary. Personnel Commission staff conducted a salary survey to determine whether the salary set by the board of education was appropriate.

* The percent change from prior salary is calculated from the high end of salary ranges.

[†] The general counsel position was moved from certificated service. The salary remained the same.

[‡] A lower step was added to the position of deputy chief financial officer. The higher step of the range remained unchanged.

[§] The director of school building planning position was reestablished with the salary range it would have been assigned had it never been abolished.

^{||} The chief deputy director of environmental health and safety was created to oversee the other deputy directors of environmental health and safety and a central business advisor position. The salary is a 2.5 percent increase over the central business advisor, the highest position supervised.

The Personnel Commission used internal alignment, salary surveys, market factors, and historical precedent when determining salaries for the classified positions we reviewed. It also added a salary step to an existing salary range in one case we reviewed. We believe these methodologies are reasonable if followed and documented sufficiently. However, we found a range of documentation in the Personnel Commission's files we reviewed. Its lack of written procedures contributes to this situation because it has no standard for the documentation and analysis that staff should retain in the files.

We reviewed 15 salary-setting decisions made by the Personnel Commission and found that the files for only four have appropriate documentation to justify the salaries provided.

Of 15 salary-setting decisions we reviewed, the files for only four have appropriate documentation to justify the salaries provided. These four decisions were simple salary studies for which staff used either historical precedent or internal alignment, or added pay steps to an existing salary range. The documents provided clearly showed how staff derived the salaries awarded. For instance, the Personnel Commission set the salary for a recently reestablished position that previously was abolished. It simply adjusted the position's salary to the level that would have been in place had it not been abolished.

For 10 of the remaining 11 positions, Personnel Commission staff conducted salary surveys of organizations with similar positions, coupled with some combination of internal alignment and market factor considerations. However, staff used only survey results to justify the final salary recommendations for seven positions and did not explain why they did not consider the survey results for the remaining three positions. Additionally, for the seven positions staff only used results reported by some organizations surveyed, but they did not provide justification for why they selected these organizations and not others. Personnel Commission staff aligned the eleventh position to an existing LAUSD position, but did not sufficiently document why it determined these two positions to be comparable.

The chief human resources specialist explained that in some instances her staff might determine that a position surveyed is not comparable. However, she indicated that the Personnel Commission does not have a written standard governing how similar a position at another organization needs to be before it can be used in a salary comparison. Rather, this decision is left up to the staff person conducting the study. In that case we would expect to find a comparison of the two job descriptions and an analysis showing how the positions are different, such as in job responsibilities and scope of work. However, none of the salary study files contained such justifications.

For instance, the Personnel Commission conducted a salary study for the chief facilities executive in 2006 that included responses on 20 positions from organizations it surveyed. The salary recommendation listed nine of the 20 surveyed positions and noted that although these positions are compensated at a higher rate, staff recommended a lower salary because of LAUSD's budget constraints and internal alignment considerations. However, the salary study file does not contain a justification for why staff considered only the nine positions and did not consider the remaining 11. Further, the file lacks an analysis of the internal alignment considerations that were mentioned in staff's recommendation. Without documentation of this analysis, the Personnel Commission cannot demonstrate that it used reasonable and objective methods to determine salaries.

THE HUMAN RESOURCES DIVISION'S PROCEDURES FOR SETTING NONEXECUTIVE CERTIFICATED SALARIES GENERALLY ARE WELL DOCUMENTED AND FOLLOW WRITTEN POLICY

The Human Resources Division has clear and objective written procedures for determining salaries for certificated

nonexecutive administrators, which it follows consistently. See text box for example of certificated employees. During a job study, two specialists independently rate a position based on level of supervision and other factors, and combine these ratings to determine the appropriate salary range. The Human Resources Division then forwards its salary recommendation to the superintendent's

Certificated Employees

These are employees whose positions require a certification or credential. Examples include teachers, principals, assistant principals, and local district superintendents.

Certificated Salary Council (salary council) for approval. We describe these procedures in more detail in the Introduction.

Based on our review of the Human Resources Division's procedures for determining three certificated administrator salaries, we determined that it has resolved the concerns we raised in our prior audit. Our 2001 audit found that it sometimes relied on old studies to set salaries, or did not sufficiently document internal alignment when determining salaries. Our current review showed that the Human Resources Division has taken steps to address our concerns by relying on current studies to set salaries. Additionally, its files are now well documented, and staff follow written procedures for determining the proposed salary levels, as shown in Table 7 on the following page.

TABLE 7

**Salaries Determined by the Human Resources Division for
Three Nonexecutive Level Certificated Positions**

Position	Salary Range	Percent Change From Prior Salary*	Job Study Performed	Method Is Fully Documented and Based on Current and Relevant Information
Administrators, division of adult and career education [†]	\$99,898–124,601	1.65%	✓	✓
Director, teacher certification programs	99,898–124,601	7.34	✓	✓
Coordinator, standards-based promotion	98,293–122,579	5.60	✓	✓

Sources: Bureau of State Audits' review of files from the Los Angeles Unified School District's Human Resources Division.

* The percent change from prior salary is calculated from the high end of salary ranges.

[†] There are two administrators; one oversees the Adult Education program and the other oversees the Career Education program.

In selecting our sample of nonexecutive level positions, we originally selected a fourth salary decision that was made by the superintendent or his staff, not the Human Resources Division as we initially thought. The superintendent created the administrator of instructional technology position to perform several duties, including providing direction and leadership in integrating technology into the classroom curriculum, and recommending policies and programs to promote increased use of technology in instruction. According to the executive officer of the Human Resources Division (executive officer), no job study was performed to establish the salary level for this classification. LAUSD also could not locate records showing that the salary council approved it. The executive officer indicates that the superintendent approved the position and set the salary. This appears to be an isolated instance.

**BASED ON THE LIMITED DOCUMENTATION WE FOUND,
THE SUPERINTENDENT AND THE BOARD OF EDUCATION
USE REASONABLE AND CONSISTENT METHODS TO SET
EXECUTIVE-LEVEL SALARIES**

The superintendent determines salaries for executive-level certificated positions hired on employment contracts. The board of education approves the superintendent's salary recommendations and determines salaries for executive-level positions that report to it. The superintendent uses internal alignment or historical precedent to set salaries, and the board of education relies on internal alignment or salary studies conducted by the Personnel Commission. The superintendent and the board of education do not have written procedures for determining these salaries, nor did

they maintain detailed documentation to support salary levels set for the 12 positions we reviewed. However, based on our interviews and review of what limited documents exist, the superintendent and the board appear to use reasonable practices consistently.

The superintendent used internal alignment to determine the salaries for the 10 certificated executive-level positions we reviewed, as indicated in Table 8. For example, he horizontally aligned the salaries for the deputy superintendent, two chief instructional officers, and two executive officers to each other because they report directly to the superintendent and are directly responsible for the implementation of instructional initiatives. Additionally, their salaries were aligned vertically within LAUSD's existing organizational structure between the superintendent and the local district superintendents. In another instance, the superintendent internally aligned the salaries of two assistant superintendents to the salary that already had been set for existing assistant superintendents.

TABLE 8

Salary Determinations for 12 Executive-Level Positions

Position	Salary Determined By	Salary	Percent Change From Prior Salary	Internal Alignment Method Appears Reasonable
Chief operating officer*	Superintendent	\$215,000	New position	✓
Chief instructional officer—elementary	Superintendent	165,000	New position	✓
Chief instructional officer—secondary	Superintendent	165,000	New position	✓
Deputy superintendent	Superintendent	165,000	(5.77%)	✓
Executive officer, field operations	Superintendent	165,000	New position	✓
Executive officer, office of the superintendent	Superintendent	165,000	(2.94)	✓
Executive officer, human resources	Superintendent	160,000	New position	✓
Chief of staff	Superintendent	150,000	(6.65)	✓
Assistant superintendent—specially funded and parent/community programs†	Superintendent	123,697	(9.54)	✓
Assistant superintendent—student integration services†	Superintendent	123,697	(9.54)	✓
Director of educational policy	Board of education	130,000	New position	✓
Director of budget and financial policy	Board of education	125,000	New position	✓

Sources: Bureau of State Audits' review of files from the Los Angeles Unified School District's Human Resources Division.

* The chief operating officer position was changed from classified to certificated.

† These assistant superintendent positions were used to replace the associate superintendent for specially funded and parent/community programs. The salary change indicated in the table reflects the change from the last salary of the associate superintendent position.

According to its executive officer, the board of education used internal alignment for determining the salary of two policy directors. It determined the incumbent for these positions should possess the same knowledge and experience required of branch directors, and the salaries were set at this level.

THE INCREASE IN THE NUMBER OF CONTRACT MANAGEMENT POSITIONS APPEARS JUSTIFIED

The number of high-level executives and administrators that LAUSD employs on a contract basis has increased significantly since the 2000 reorganization, especially those who are classified employees. Currently 74 classified and 32 certificated positions at the highest level within the organizational structure are under contract. While the California Education Code does not specify any limits to the number of certificated positions that LAUSD may employ as managers on contracts, this number has remained fairly steady in the last five years.

LAUSD is on the merit system, which requires a school district to hire and promote classified employees based on merit. Two provisions of state law limit the number of classified managers on employment contracts at a school district of LAUSD's size to six positions. The law also allows the school district to request a waiver of this requirement from the State Board of Education (state board). Additionally, the law limits these positions to high-level managers with district-wide policy-making authority or program administration responsibilities, or those who act as a fiscal advisor to the superintendent. As shown in Table 9, the state board has approved waivers of multiple positions for LAUSD six times since 1994, granting it 68 classified contract managers, for a total of 74 positions allowed. We are aware of only three other school districts within California that received approval for similar waivers. The school district closest in total to LAUSD has seven such positions but has only 23,000 students.

Based on the information LAUSD provided in the waiver requests, the reasons for these positions appear justified. For instance, 31 of the 74 positions are located in the Facilities Services Division, which is carrying out a \$19.3 billion school construction and modernization program as described in the Introduction. LAUSD decided in 2002 to expand its Facilities Services Division to manage this program in-house instead of employing management consultants and contractors so it could reduce costs and improve program management. Ten of the 74 positions are attorneys, most

of whom were hired as part of the district's legal expansion plan in 2001, which we discuss in Chapter 1. Comparing the cost for staff to the use of private consultants and outside law firms, it appears that LAUSD achieved savings in both facilities and legal services. Most of the remaining positions are managers who oversee various operations, such as financial, risk management, and business services.

TABLE 9

Classified Contract Management Positions

Waiver or Statutory Requirement	Positions Approved or Allowed
1994 waiver	5
2000 waiver	10*
2001 waiver	10
2002 waiver	24 [†]
2005 waiver	12
2006 waiver	7
Positions allowed under the California Education Code	5
Position allowed by another California Education Code section for facilities management	1
Total classified contract managers	74

Sources: Waiver requests that the Los Angeles Unified School District submitted to the State Board of Education.

* The 2000 waiver includes five temporary positions in facilities management.

[†] The 2002 waiver includes conversion of the five temporary positions previously approved in 2000 into permanent positions in addition to the 24 positions listed above.

In a 2005 response to the board of education's questions, LAUSD stated its waiver requests are needed because many of its second- and third-level managers have the same level of policy-making decisions and scope of responsibilities as higher-level directors in smaller school districts, and they supervise larger numbers of staff. It also reasoned in its most recent waiver request that employing some classified managers on contracts allows LAUSD the flexibility to quickly fill these key positions. Additionally, in its analysis of the 2005 waiver, the California Department of Education indicated that LAUSD's larger size poses more administrative challenges on operations than smaller school districts have, but that LAUSD should decrease the number of contracted positions authorized under waivers in the Facilities Services Division when most of

its facilities projects are complete. The California Department of Education, which reviews the waivers before the state board decides on them, has generally been supportive of LAUSD's waiver requests.

MULTIPLE FACTORS CONTRIBUTE TO DIFFERENCES IN SALARIES PAID BY LAUSD AND OTHER SCHOOL DISTRICTS SURVEYED

We compared 27 high-level executive and administrative salaries at LAUSD with salaries for comparable positions at four other large school districts. LAUSD pays a higher salary than the other school districts for more than half of these positions. We considered an LAUSD position to have a higher salary if it was more than 15 percent higher than the combined average salary of the responding school districts, calculated by using the high-end of the salary ranges. Contributing factors may include differences in student enrollment in each school district, cost of living in the areas, and differences in job duties and responsibilities.

Salary Comparisons Must Take Into Account a Number of Factors

To compare the salaries of high-level LAUSD administrators to those at other schools districts, we identified other school districts that are comparable in size and organization. We sent surveys to the six largest school districts in the country, and the second largest school district in California. The out-of-state school districts have similar organizational structures to LAUSD with local level districts reporting to a central office.

We received responses from four of the school districts. They are listed in Table 10. Enrollments differ significantly among these school districts, ranging from 366,000 students to 128,000 students. Three school districts we initially surveyed did not submit responses to us. Officials from the New York City Department of Education (with an enrollment of 1,011,000 students) and Chicago Public Schools (405,000 enrolled students) informed us that they would go through major reorganizations in the 2006–07 school year and many of the positions we surveyed will be affected. The Clark County School District in Las Vegas (292,000 enrolled students) chose not to submit a response.

TABLE 10

**Los Angeles Unified School District Compared to the
Four School Districts That Provided Survey Responses**

District	Enrollment*	Local Level Offices	Cost-of-Living Index†
Los Angeles Unified School District	727,000	8 local districts	145
Miami-Dade County Public Schools	366,000	6 regions	104‡
Broward County Public Schools	255,000	4 areas	104‡
Houston Independent School District	193,000	5 regions	95
San Diego City Schools	128,000	none	127

Sources: School districts' responses to Bureau of State Audits' surveys and various Web sites.

* Figures include only kindergarten through 12th grade enrollment.

† The cost-of-living index measures differences in the price of goods and services to determine standard of living and is based on a nationwide average equal to 100. These cost-of-living indices are reported in the U.S. Census Bureau, Statistical Abstract of the United States: 2001 Edition.

‡ The cost-of-living index listed for these two Florida school districts is for the West Palm Beach–Boca Raton metropolitan area.

In addition to differences in enrollment, cost-of-living indices differ for the areas where these districts are located. As shown in Table 10, LAUSD is in an area with a higher cost-of-living than the other school districts that responded to our survey, which would affect its salaries.

Additionally, the market from which a school district draws candidates could be a factor. LAUSD's Personnel Commission staff surveys both private and public sector employees to determine salaries for classified positions. The chief human resources specialist asserted that this is done because market competitors for classified managers and many technical staff include municipalities and private sector entities rather than school districts. She further asserted that aligning salaries solely to other school districts would not attract the right candidates with the appropriate competencies.

Another major factor in the amount of compensation is the duties and responsibilities required for administrator positions. For that reason, the major focus of our survey was to compare positions in other school districts that were similar to each other with respect to duties and responsibilities regardless of the job titles used for these positions. The survey we administered listed the title and a brief job description of 27 high-level LAUSD administrator positions. We asked the surveyed school districts to provide salary, job descriptions, and the number of

staff supervised for each position. Using the job descriptions, we could compare the similarities in duties and responsibilities and determine if variations could explain differences in salaries. However, because the districts provided limited or no information about the number of staff supervised for the positions in our survey, we could not compare the number of staff supervised by other districts' high-level positions to the number supervised by LAUSD's high-level positions.

Lastly, we compared only salaries. We did not evaluate other forms of compensation that positions at LAUSD and other school districts may receive, such as bonuses, benefits, car allowances, reimbursement for relocation expenses, and other perks. The results of our survey comparison may be affected if the total value of the compensation package for each sampled position is taken into consideration.

LAUSD Salaries Are Higher Than Other School Districts for More Than Half of the Positions Surveyed, but Several Factors Could Account for the Differences

For 15 of the 27 positions we surveyed, differences in salaries between LAUSD and the four school districts that responded to our survey range from 7 percent lower to 115 percent higher. As we previously noted, district-wide factors such as enrollment and cost of living would affect salary levels. In addition, differences in the scope and range of responsibilities may explain why LAUSD pays a higher salary for a particular position.

District-wide factors such as enrollment and cost of living, in addition to differences in the scope and range of responsibilities, may explain why LAUSD pays a higher salary for a particular position.

There appear to be obvious reasons for the salary differences in some of these positions. For example, while the positions for chief facilities executive, deputy chief executive of school building planning, and deputy chief executive of existing facilities generally receive the highest salaries among comparable positions at the other school districts, LAUSD's effort to construct and modernize schools is also the most aggressive, as Table 11 indicates. Salaries for positions comparable to LAUSD's facilities executives at these other school districts appear to reflect their respective efforts in this area, as San Diego City Schools pays the lowest while Broward County and Miami-Dade County Public Schools generally pay more than San Diego but less than LAUSD. Similarly, the LAUSD chief information officer receives a higher salary than the districts surveyed. However, the Information Technology Division has increased staffing over the past several years because it is developing and implementing new data systems, including a replacement of LAUSD's payroll and accounting systems. The general counsel

at LAUSD is also paid more than comparable positions in the districts responding to the survey. This may be because the Office of the General Counsel expanded its in-house legal staff in 2001 to provide more preventive counseling, oversee legal responsibilities that had been performed by outside law firms, and manage outside legal contracts.

TABLE 11

Comparison of Facilities Programs at Various School Districts

School District*	Number of New Schools to Be Constructed	Number of Existing Schools to Be Modernized	Amount of Funds Available (in Billions)
Los Angeles Unified School District	150	800 [†]	\$19.3
Broward County Public Schools	56	382	3.4
Miami-Dade County Public Schools	47	256	3.3
San Diego City Schools	16	193	1.5

Sources: Los Angeles Unified School District (LAUSD) and survey responses.

* The Houston Independent School District did not provide responses to all our survey questions about its facilities projects.

[†] This figure is an estimate from LAUSD.

For some of the positions surveyed, LAUSD's salaries were either comparable to or lower than those of the four responding districts. We considered a LAUSD salary comparable if it was within approximately 15 percent of the combined average of the other districts' highest salary. For example, the survey results show that the salary for the LAUSD superintendent is generally in line with the salary of superintendents at other school districts. The survey from the 2001 audit showed that the LAUSD superintendent was the highest-paid among the six school districts responding to our survey. At that time, LAUSD paid its superintendent a salary of \$250,000, which was 2 percent to 67 percent more than the amount paid by other school districts. Currently, the LAUSD superintendent receives a salary of \$256,250. According to the current survey, the LAUSD superintendent's salary is now from 16 percent less to 10 percent more than the amount paid by the other school districts. For the school districts surveyed, the LAUSD superintendent's salary was only higher than the Broward County Public Schools superintendent's salary. However, as we mentioned previously, LAUSD's superintendent may compare differently with the

superintendents at the other four school districts if total compensation is taken into consideration. For five LAUSD positions we surveyed, responding school districts either had no comparable position (executive officer, educational services and associate superintendent, extended day programs) or only one comparable position (assistant superintendent, student integration services; director of school fiscal services; and business manager).

Appendix B shows the position titles and salary information for the 27 high-level executive and administrative positions we surveyed and the differences between LAUSD salaries and those of other school districts.

RECOMMENDATIONS

To measure the effectiveness of key administrators directly involved in affecting student performance, LAUSD should:

- Establish specific, measurable, and reasonable goals for these administrators that are aligned with district-wide goals related to student performance.
- Develop the goals in conjunction with its consultant's efforts to implement recommendations made by the Council of the Great City Schools.
- Evaluate these administrators in writing based on their ability to meet their goals and hold them accountable for their performance.
- Ensure that it retains written evaluations of administrators for a reasonable time period.

Similarly, to measure the effectiveness of key administrators who oversee operating units, in conjunction with its consultant's efforts, LAUSD should establish specific, measurable, and reasonable goals for these administrators and evaluate them in writing on their ability to meet such goals. In addition, it should retain the evaluations for a reasonable time period.

To avoid the appearance of subjectivity and lack of thoroughness in setting salaries for classified administrators, the Personnel Commission should:

- Establish written guidelines for setting salaries and ensure that it consistently follows them for determining administrative compensation.
- Maintain complete records of its salary determination process, including what methods it followed and what information it used to support its decisions.

LAUSD should maintain complete records to support salary determinations for executive-level administrators to show that these determinations are based on reasonable and objective criteria.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

Date: September 14, 2006

Staff: John Baier, CPA, Audit Principal
Fae Li
Salvador Sanchez
Leonard Van Ryn, CISA
Benjamin W. Wolfgram

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APPENDIX A

Los Angeles Unified School District's Status on Implementing Our 2001 Audit Recommendations

Table A shows the progress of the Los Angeles Unified School District (LAUSD) in implementing recommendations we made in our July 2001 report titled *Los Angeles Unified School District: It Has Made Some Progress in Its Reorganization but Has Not Ensured That Every Salary Level It Awards Is Appropriate* (2000-125). LAUSD has fully implemented certain recommendations, but it either has not implemented or only partly implemented most of the remaining recommendations concerning performance measurements and salary-setting procedures.

TABLE A

Implementation Status of 2001 Audit Recommendations

Finding	Recommendation	Status of Implementation
Organizational Structure		
Local districts do not have the level of authority over financial resources or instructional programs as described in the reorganization plan.	Los Angeles Unified School District (LAUSD) should periodically report to the LAUSD Board of Education in open meetings on the extent of the discretionary budgeted resources allocated to local districts, and the extent to which local district superintendents can have decision-making authority over instructional matters.	<i>Fully implemented.</i>
LAUSD could not identify actual staffing cuts resulting from the reorganization in 2000.	LAUSD should continue its efforts to develop a system that provides an accurate accounting of the number of people it currently employs and allow it to reconcile its budgeted positions to filled positions.	<i>Fully implemented.</i>
Performance Measures		
Measures for the superintendent are in some instances too vague to allow for an objective assessment of this position.	LAUSD should develop more well-defined performance measures for its superintendent.	<i>Fully implemented.</i>
The performance measures for the local district superintendents hold these individuals accountable for student achievement even though the central office retains the authority to develop instructional policies that would affect student achievement.	When it establishes measures to evaluate its local district superintendents, LAUSD should address the current potential inconsistency between the authority given to them and their accountability for improving student achievement.	<i>Partially implemented.</i> Although LAUSD has established performance factors for local district superintendents that appear consistent with their authority, it has not developed metrics to evaluate and measure the local superintendents' progress in achieving them.
LAUSD has yet to create adequate measures to evaluate the job performance for many high-level administrators.	LAUSD should develop performance measures for those administrators who are currently without them.	<i>Not implemented.</i> In a January 2006 report, a peer group found little evidence that district staff had been explicitly evaluated on their ability to attain specific goals and benchmarks.

continued on the next page

Finding	Recommendation	Status of Implementation
Salary-Setting Procedures		
In some cases, LAUSD lacked guidance when determining the compensation of certain high-level administrators and was unable to provide much documentation detailing how it sets some of these salaries.	To avoid the appearance of subjectivity and lack of thoroughness in setting salaries, LAUSD should do the following: - Establish written guidelines for setting salaries and ensure that it consistently follows processes for determining administrative compensation. (Personnel Commission only.) - Maintain complete records of its salary determination process, including what methods it followed and what information it used to support its recommendations.	<i>Partially implemented.</i> The Personnel Commission has established written guidelines on determining salaries for all high-level administrators, but they are not specific and staff are not required to follow them. <i>Partially implemented.</i> Although the Human Resources Division's records are complete, the Personnel Commission has not changed its method of record keeping since the 2001 audit.
Since the 2000 reorganization, LAUSD has yet to update some job descriptions and create job descriptions for a few new positions.	Create job descriptions for new positions and update job descriptions for existing positions when duties change to ensure that administrators are receiving salaries commensurate with their current job responsibilities.	<i>Partially implemented.</i> The Personnel Commission uses updated job descriptions when conducting salary studies. Although the Human Resources Division does not always maintain updated job descriptions, it relies on other information, such as staff interviews, to determine appropriate salary levels.
Use of Consultants		
LAUSD did not follow a competitive process when obtaining the services of a facilities consultant whose fees totaled \$477,250 over a one-year period.	To ensure that it secures and receives the services of the best available contractors and administrators, LAUSD should advertise the availability of contracts and positions widely and actively.	<i>Fully implemented.</i>
To determine the compensation for one high-level administrative position, LAUSD used an employment consultant who was not independent of the salary-setting process.	LAUSD should require contractors to meet all contract terms and submit all contract deliverables, and retain these contract deliverables in its files.	<i>Fully implemented.</i>
	When it uses an employment consultant to set salaries, LAUSD should refrain from basing the consultant's fees on the salary being determined.	<i>Fully implemented.</i>

Source: Bureau of State Audits' interviews, document reviews, and analysis.

APPENDIX B

Salaries for 27 High-Level Positions at Los Angeles Unified School District Compared With Salaries at Other Large School Districts

We surveyed seven large school districts from throughout the United States to gather salary data and job descriptions to compare with 27 positions of the Los Angeles Unified School District (LAUSD). Table B on the following pages is a compilation of the answers of the four districts that responded.

For each of the 27 positions listed in Table B, we calculated the percentage difference between the salaries paid by the other school districts and the salary that LAUSD pays. When comparing two salary ranges, we calculated the percentage difference of the two high-end salaries and the percentage difference of the two low-end salaries. We then bolded the lines containing those positions that LAUSD pays more than 15 percent higher than the average combined salaries of the responding school districts, calculated at the high end of the salary range.

TABLE B

Comparison of High-Level Salaries With Four Other Large School Districts

LAUSD	San Diego	Houston	Broward County	Miami-Dade
Superintendent of schools—\$256,250	Superintendent of schools—\$258,750	Superintendent of schools—\$278,100	Superintendent of schools—\$233,950	Superintendent of schools—\$305,000
<i>Percent by which Los Angeles Unified School District (LAUSD) pays more (or less)</i>	(1%)	(8%)	10%	(16%)
General counsel—228,375	General counsel—105,987–135,644	General counsel—149,580	General counsel—186,130	School board attorney—215,000
<i>Percent by which LAUSD pays more (or less)</i>	115 to 68	53	23	6
Chief operating officer—220,375	Chief administrative officer—191,475	Chief operations officer—158,100	No comparable position	Deputy superintendent, business operations—190,550
<i>Percent by which LAUSD pays more (or less)</i>	15	39	—	16
Chief facilities executive—195,700	Chief facilities officer—101,184–129,207	Senior project executive—121,381–197,851	Deputy superintendent, facilities and construction management—137,510	Chief facilities officer—165,903
<i>Percent by which LAUSD pays more (or less)</i>	93 to 51	61 to (1)	42	18
Chief information officer—195,700	Executive director, information technology—91,513–117,061	No comparable position*	Chief information officer—153,571	Executive officer, information technology—136,310
<i>Percent by which LAUSD pays more (or less)</i>	114 to 67	—	27	44
Chief financial officer—195,000–204,219	Chief financial officer—105,987–135,644	Chief financial officer—166,384	Chief financial officer—156,573	Chief financial officer—159,650
<i>Percent by which LAUSD pays more (or less)</i>	84 to 51	17 to 23	25 to 30	22 to 28
Chief instructional officer† (two positions)—169,125	Deputy superintendent—191,475	Chief academic officer—180,900	Deputy superintendent, curriculum and instruction student support—145,320	Deputy superintendent, curriculum instruction and school improvement—185,000
<i>Percent by which LAUSD pays more (or less)</i>	(12)	(7)	16	(9)
Executive officer, educational services—169,125	No comparable position‡	No comparable position	No comparable position	No comparable position§
Local district superintendent—161,546	Assistant superintendent—101,184–129,207	District superintendent—120,000	Area superintendent—145,919	Regional superintendent—112,226–140,481
<i>Percent by which LAUSD pays more (or less)</i>	60 to 25	35	11	44 to 15
Chief human resources officer—144,111–179,542	Chief human resources officer—101,184–129,207	Executive general manager, human resources—132,240	Associate superintendent, human resources—133,377	Human resources officer—98,880
<i>Percent by which LAUSD pays more (or less)</i>	42 to 39	9 to 36	8 to 35	46 to 82

LAUSD	San Diego	Houston	Broward County	Miami-Dade
Associate superintendent, extended day programs—\$142,961	No comparable position	No comparable position	No comparable position	No comparable position ^l
Associate superintendent, special education—142,961	Executive director, special education—\$96,365–122,936	Assistant superintendent special education—\$91,950	Executive director, student support services and exceptional student education—\$103,154	Assistant superintendent, office of special education, alternative outreach and psychological services—\$109,263
<i>Percent by which LAUSD pays more (or less)</i>	48 to 16%	55%	39%	31%
Deputy chief executive of school building planning—142,780–177,558	Director, instructional facilities planning —87,090–111,796	No comparable position	Executive director, facility management, planning and site acquisition—106,042	Facilities planning officer—122,670
<i>Percent by which LAUSD pays more (or less)</i>	64 to 59	—	35 to 67	16 to 45
Deputy chief executive of existing facilities—137,260–170,694	Deputy chief facilities officer—96,365–122,936	No comparable position	No comparable position	Maintenance officer—140,481
<i>Percent by which LAUSD pays more (or less)</i>	42 to 39	—	—	(2) to 22
Assistant superintendent, elementary instruction and school support services—129,325	No comparable position	Regional superintendent—90,913–147,293	Executive director, core curriculum—109,011	Assistant superintendent, elementary instruction, curriculum, instruction and school improvement—125,000
<i>Percent by which LAUSD pays more (or less)</i>	—	42 to (12)	19	3
Assistant superintendent, instructional support services—129,325	No comparable position	Assistant superintendent, student support services—87,050	Executive director, educational programs—97,611	Assistant superintendent, leadership development—134,142
<i>Percent by which LAUSD pays more (or less)</i>	—	49	32	(4)
Assistant superintendent, planning, assessment, and research—129,325	Executive director, standards, assessment, and accountability—96,365–122,936	Assistant superintendent, research and evaluation—131,065	Associate superintendent, research, evaluation, assessment and boundaries—118,428	Chief of accountability and systemwide performance—165,903
<i>Percent by which LAUSD pays more (or less)</i>	34 to 5	(1)	9	(22)
Assistant superintendent, student health and human services—129,325	Executive director, student services—96,365–122,936	No comparable position [#]	Director, health education services—75,668	No comparable position ^{**}
<i>Percent by which LAUSD pays more (or less)</i>	34 to 5	—	71	—
Assistant superintendent, student integration services—129,325	No comparable position	No comparable position	Director, diversity and cultural outreach—93,022	No comparable position [‡]
<i>Percent by which LAUSD pays more (or less)</i>	—	—	39	
Business manager—125,867–153,977	Chief business officer—101,184–129,207	No comparable position	No comparable position	No comparable position ^{††}
<i>Percent by which LAUSD pays more (or less)</i>	24 to 19	—	—	—

continued on the next page

LAUSD	San Diego	Houston	Broward County	Miami-Dade
Director of environmental health and safety—\$125,867–153,977	No comparable position	No comparable position [‡]	Director of safety—\$84,765	Inspections officer—\$122,667
<i>Percent by which LAUSD pays more (or less)</i>	—	—	48 to 82%	3 to 26%
Controller—123,127–153,390	Director, accounting operations—\$91,513–117,061	Controller—\$132,762	No comparable position [‡]	Controller—109,763
<i>Percent by which LAUSD pays more (or less)</i>	5 to 68%	(7) to 16%	—	12 to 40
Director of legislative affairs and government relations—120,824	Executive director, government relations—96,365–122,936	No comparable position	Director, officer of government relations—78,817	Associate superintendent, office of intergovernmental affairs—165,903
<i>Percent by which LAUSD pays more (or less)</i>	25 to (2)	—	53	(27)
Director of communications and media relations—114,984–142,532	Director, communications—91,513–117,061	Press secretary—151,981	Director, communications and media relations—98,304	Chief communications officer—165,903
<i>Percent by which LAUSD pays more (or less)</i>	26 to 22	(24) to (6)	17 to 45	(31) to (14)
Budget director—112,347–139,244	Director, budget operations—91,513–117,061	No comparable position	Director, budget—101,587	Chief budget officer—115,000
<i>Percent by which LAUSD pays more (or less)</i>	23 to 19	—	11 to 37	(2) to 21
Director of school fiscal services—106,018–131,335	No comparable position	No comparable position	No comparable position [‡]	Executive director, school budgets—102,934
<i>Percent by which LAUSD pays more (or less)</i>	—	—	—	3 to (28)
Chief of police—101,412–126,102	Chief, police services—91,513–117,061	Chief of police—93,569	No comparable position	Chief of police/district security—154,500
<i>Percent by which LAUSD pays more (or less)</i>	11 to 8	8 to 35	—	(34) to (18)

* The school district reported a position that performed the duties of two LAUSD positions. After reviewing the job description, we determined the position more closely matched the duties of LAUSD's chief operating officer.

† LAUSD has two chief instructional officers—one for elementary education and another for secondary education.

‡ The school district provided a position, but after reviewing the job description we determined the position was not comparable.

§ The school district reported a position that performed the duties of two LAUSD positions. After reviewing the job description, we determined that the position more closely matched the duties of LAUSD's director of legislative affairs and government relations.

|| The school district indicated the duties were performed by several positions at various levels.

The school district reported a position that performed the duties of two LAUSD positions. After reviewing the job description, we determined that the position more closely matched the duties of LAUSD's assistant superintendent, instructional support services.

** The school district reported a position that performed the duties of two LAUSD positions. After reviewing the job description, we determined that the position more closely matched the duties of LAUSD's associate superintendent, special education.

†† The school district reported a position that performed the duties of two LAUSD positions. After reviewing the job description, we determined that the position more closely matched the duties of LAUSD's chief financial officer.

Agency comments provided as text only.

Los Angeles Unified School District
Administrative Office
333 South Beaudry Avenue, 24th Floor
Los Angeles, California 90017

August 24, 2006

Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Attached you will find the response of the Los Angeles Unified School District to your draft report, *Los Angeles Unified School District: It Has Increased Administrative Positions for Various Reasons and Although Making Progress, Its Performance Evaluation and Salary-Setting Procedures for Managers Still Need Improvement* (2005-132). We hope that you find the response attentive to the issues raised by your audit team.

As I am sure you recognize, management of an organization the size of Los Angeles Unified School District is as much art as it is science, particularly when it comes to the challenge of managing change and supervising the core team of executives whose talent and wisdom are called upon to push aggressively the sort of reform agenda that I have been honored to lead for the past six years.

As I have discussed with your audit team, the principal focus of my administration has been on the improvement of instruction for each of our pupils and the creation of one of the largest and most successful school-building programs this nation has witnessed. In the course of that work, I have not set a priority on whether the District remains loyal to the reorganization plan crafted six years prior. To the contrary, it has been my expectation that this organization, large though it is, shift and adapt its structure and methods whenever appropriate in service of our primary mission, the improvement of the delivery of instruction to children. For that reason, it continues to be my belief that the most important measure of our work is the level of improvement in the performance of our students and I continue to welcome the suggestions and critique regarding how we can do that work better. To that end, I welcome the recommendations of your audit team as suggestions for how I and my management team could better document and measure the utility of the organizational changes we undertake while recognizing that it is change itself that is constant, not our specific plans for engineering that change.

I thank your staff and commend them for their thoughtfulness and professionalism in the work that they have done.

If you have any questions, or require further information, please contact Kevin S. Reed, General Counsel, at 213.241.6601.

Sincerely,

(Signed by: Roy Romer)

Roy Romer, Superintendent

* California State Auditor's comments begin on page 71.

Los Angeles Unified School District
Office of the General Counsel
333 S. Beaudry Avenue, 24th Floor
Los Angeles, California 90017

August 24, 2006

Elaine M. Howle, State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The Los Angeles Unified School District is pleased to respond to your draft report, *Los Angeles Unified School District: It Has Increased Administrative Positions for Various Reasons and Although Making Progress, Its Performance Evaluation and Salary-Setting Procedures for Managers Still Need Improvement* (2005-132).

At the request of the Joint Legislative Audit Committee, the Bureau of State Audits (BSA) conducted an audit of the District's implementation of its 2000 and 2004 reorganization plans and the District's implementation of recommendations made in the BSA audit of 2001 entitled *Los Angeles Unified School District: It Has Made Some Progress in Its Reorganization but Has Not Ensured That Every Salary Level It Awards Is Appropriate*.

Listed below are the recommendations of the current BSA audit and the District's responses.

When LAUSD makes major changes in its organizational structure with the intent of improving its operations, it should do the following to measure the effectiveness of these changes:

Recommendation 1: LAUSD should consider ways to track the impact of these organizational changes on such factors as staffing and cost.

LAUSD Response to Recommendation 1:

As noted in the report (page 9-10)*, LAUSD undertook the reorganization in 2000 with the overarching goal of improving student academic achievement. While efficiency gains were desirable and expected, they were not, in and of themselves, the over-arching reason for the reorganizations. We appreciate the report's prefatory acknowledgement that the District has made measurable progress in the areas of student achievement and school construction, and we continue to believe that these achievements are a more profound measure of the success of the District's management structure than an evaluation of the efficiency gains proposed in the 2000 and 2004 reorganization plans. We acknowledge that the audit objectives stated on page 16 do not allow for a thorough discussion of the District's gains in the instructional arena because this was not something the BSA was asked to consider by the Joint Legislative Audit Committee. However, given that the LAUSD's primary mission is that of instructing students, we persist in our believe that it would have been appropriate to examine in more depth the instructional impacts that resulted from the reorganization, not simply the impacts related to organizational structure and positions.

* Text refers to page numbers in an earlier draft version of the report.

The District agrees that improved mechanisms are necessary for measuring the cost impacts of organizational changes, and for developing metrics that will help gauge progress toward the achievement of planned improvements. The ability to have such information available was one of the main incentives for the District's decision to embark on a \$100 million Enterprise Resource Planning Initiative that will greatly enhance the District's ability to manage and monitor costs. The reporting tools that will be available to the District as a result of the ERP system were not previously available to the District, and impacted the ability to develop an effective performance monitoring system.

The District is currently working on the implementation of Business Tools for Schools ("BTS"), an enterprise resource planning initiative that should give the District a comprehensive way of tracking and analyzing a robust array of data from the District's business, financial and human resources functions. While full implementation of BTS is still a couple of years away, core elements of the financial module are currently being activated. The District expects that this tool, when fully implemented, will greatly aid in future analysis of how organizational changes impact staffing and cost.

To date, the District has been able to gather information relative to the impact of organizational changes in aggregate form. The annual budgeting process of the District provides considerable longitudinal data showing trends of expenditures by program, department, and project and has been used in evaluating the cost-effectiveness of District initiatives, though the data available may not always readily allow for discrete analysis of whether specific organizational changes have brought about a quantifiable amount of cost savings. The District has historically avoided creating redundant accounting systems or hiring dedicated staff that might be required for the purpose of tracking trends specific to individual organizational changes, preferring to focus, instead, on the more fundamental task of ensuring that resources are deployed in a manner that supports board policy and superintendent initiatives. It is hoped that the full implementation of BTS will allow the District to track the impact of organizational changes without adding to bureaucratic overhead.

We note that this recommendation is related to findings in the report that there has been an increase in central administration since the 2000 reorganization plan and are concerned that this finding could be misread as a conclusion that the District has somehow failed to faithfully implement that reorganization plan, an interpretation with which the District would vigorously disagree. As the report notes, the majority of increases in support services staff since the 2000 reorganization have been in facilities and information services, both of which are in the midst of major, and long-overdue expansion plans. Accordingly, while the proposed staff reductions may not have been achieved, it is reasonable to assume that some of this was due to the necessity of augmenting staff to support two of the most important initiatives in the District's history: The Building Program and the Enterprise Resource Planning Initiative.

It may be true, as the report states, that the 2000 reorganization plan did not account for these staffing increases. In that case, a fair assessment should consider whether these staffing increases were consistent with and supportive of the District's strategic plan, and not simply whether they were consistent with a 2000 reorganization that may not have accounted for them.

It should also be noted that as the building program progresses, and as more schools continue to be built, the number of school services staff, and in all likelihood, the cost associated with these staff, compared to the number and costs of support services staff, should inevitably rise, a trend that was originally envisioned by both the 2000 and 2004 reorganization plans.

Recommendation 2: LAUSD should develop performance metrics with goals and quantifiable benchmarks to evaluate itself on its progress in achieving the planned improvements.

LAUSD Response to Recommendation 2:

The District understands this recommendation to be directed primarily at the BSA's critique of the implementation of the Office of General Counsel's 2001 reorganization plan.

As noted in the audit report the reorganization of the LAUSD Office of General Counsel has reduced the costs of providing quality legal services by at least \$3 million since inception. The report further notes that the performance metrics contained in the reorganization plan have not been fully developed and recommends the setting and tracking of goals and benchmarks for each of the original metrics against which performance would be reported. As explained below, the Office of General Counsel did set what it intended to be at least the equivalent of goals for future performance based on the metrics data it was collecting. It used as benchmarks a comparison to prior year numbers on both quarterly and annual amounts.

The legal reorganization plan suggested several metrics against which performance could be measured. With the exception of timeliness of counsel responses the OGC immediately began to collect data concerning the metrics. (The quality of the collected data improved over time as the reorganization became fully implemented and staff gained experience.) These data were assessed by management of the OGC on an at least a monthly basis and each year, goals were set to do more, spend less, and reduce cases and risk over the previous year. The "goal" was to do better than last year and OGC progress on that account was reported to the Board in various regular reports, including quarterly settlements and judgments reports and quarterly outside counsel expenditure reports, as well as board committee presentations. The "benchmark" was a quarterly assessment of how spending on outside counsel was going as compared to the previous year and, over time, the past several years for each of the seven in-house legal teams as well as the OGC as a whole. The OGC trend with respect to costs of legal services, case filings and judgments/settlements was consistently downward over a five year period, while spending by the individual teams varied.

It is apparent, based on the recommendations and suggestions of the auditors that the OGC method lacked sufficient clarity as to goals and benchmarks, and reporting of these goals and benchmarks to the board. In the future the goal in each metric category will be articulated as either a dollar amount or a percentage reduction. Benchmarks will be projected and examined on a quarterly basis as to progress towards the achievement of those goals, with reports to the board at regular intervals. Finally, an attempt to measure client perception on the timeliness of counsel responses has been incorporated into the revised OGC customer satisfaction survey, the results of which are expected by the fourth quarter of 2006.

If LAUSD decides to continue with the advisory councils, it should do the following:

Recommendation 3: LAUSD should evaluate why the advisory councils have not been successful in meeting the objectives set out in its 2000 reorganization plan.

LAUSD Response to Recommendation 3:

The main intent of the creation of Parent/Community Advisory Councils (PCACs) was to have the councils serve as conduits linking the Local Districts with the parents and community, review fiscal plans, and give parents and communities an avenue to share their views and ideas on LAUSD goals and effectiveness, though the PCACs are but one element of, and augmentation to, a comprehensive system of parent involvement and decision-making within the District.

Although not all Local Districts continued with the exact PCAC defined configuration after the reorganization of 2004, *all* Local District Superintendents *do* meet with parent and community leaders as a regular Local District council. As the draft audit report acknowledges, all Local Districts have functioning and legal Compensatory Education Advisory Committees (CEAC) and English Learner Advisory Committees (ELAC) which meet at a minimum on a monthly basis with the Local District Superintendents. These are the parent/community committees that deal with the implementation of programs and services for students with the greatest needs in the District. These groups provide direct input into the categorical expenditures for programs and activities at the Local District level. Indeed, the Local District CEAC holds the Local District Superintendent responsible for “ensuring that statutory council/committees receive the plan and budget prescribed... and obtain approval” according to the District’s Title I Parent Involvement Policy.

Since the reorganization of 2004, a new position of Parent Ombudsperson has been added to the parent/community education component of each Local District. Although the parent/community education component was identified in the 2000 reorganization plan, there was not a certificated position on the team who could serve as a liaison between parents, teachers, principals, and District administrators. Parents and community now have an additional resource for sharing views, ideas, and concerns.

The District’s Parent Community Services Branch has requested a comprehensive evaluation of all services, programs, committees, and councils involved with parents and communities, including the PCACs. The study has been initiated this month by LAUSD’s Program Evaluation and Research Branch. In addition, a Parent Involvement Survey developed by parents for parents has also been conducted (with approximately 30,000 responses received) by the Parent Collaborative. The objective of this survey was to gather information from parents to enhance the Parent Collaborative work in updating the current District Parent Involvement Policy. Because the survey instrument was developed by a parent committee, and not by the District, we do not anticipate that it will provide a comprehensive critique of how well the District has historically provided support to parents. We do anticipate, however, that the survey will provide the District insight, from the voices of parents, into how best we can involve parents in their children’s education.

Despite the fact that there currently exist many avenues for parents to give input into District decisions and programs, it is the intent of the Assistant Superintendent of the Parent Community Services Branch and the Executive Officer of Educational Services to examine why PCACs have not been implemented in all local districts according to the plan, seek input from all stakeholders in the Local Districts on the effectiveness of the existing PCACs, and develop stronger oversight from the Parent Community Services Branch to all parent/community services, councils, committees, and activities in the Local Districts. The ongoing progress in implementing the recommendations made and results of the in-depth self-review will be reported according to the required timeline.

Recommendation 4: LAUSD should develop more specific guidelines on what it hopes for the advisory councils to accomplish, define the local districts' role and types of assistance they would offer, and develop a mechanism for monitoring and oversight to ensure that the advisory councils operate as intended.

LAUSD Response to Recommendation 4:

See response to Recommendation 3.

To measure the effectiveness of key administrators directly involved in affecting student performance, LAUSD should do the following:

Recommendation 5: LAUSD should establish specific, measurable, and reasonable goals for these administrators that are aligned with district-wide goals related to student performance.

LAUSD Response to Recommendation 5:

The Superintendent welcomed the inclusion, in his employment contract, of specific, measurable, and reasonable goals, primarily related to student achievement and progress in the District's aggressive school building and repair program. He has thus far, however, refrained from including specific numeric goals in his contracts with individual administrators. He has made this choice out of his conviction that the leadership skills that are of fundamental importance to his top management team are not easily quantifiable, coupled with a concern that a "management-by-the-numbers" approach to accountability carries unacceptable risk that managers will be penalized for sub-goal outcomes that were ultimately beyond the control of those managers and, more importantly, might drive managers to suppress initiative that involves some leadership risk in pursuit of the achievement of numeric benchmarks that might, in the long run, prove less important as a measure of success. Just as test scores are not the sole measure of student achievement, the meeting of numeric goals are but one measure of a manager's skill. The Superintendent resisted a two-dimensional yardstick for evaluating his management team for fear that it would be incapable of capturing or valuing significant skill sets in that team in the areas of leadership, initiative, collaboration (with colleagues, parents, students and teachers) and risk-taking.

Central to the Superintendent's strategy to evaluate staff is the creation of a strong belief system, or a culture, of shared values around instructional improvement that combines the work of senior management, central and local district administrators and teachers into a coherent set of actions and programs. Like most other belief systems it is not written but rather it is expressed regularly in the words and actions of people in the system.

The principle in the evaluation process is that the work of everyone in the system, from central office administration to principals, to teachers and support staff in schools, is about providing high quality instruction to students and increasing equity in achievement.

District staff is accountable to organize its time around work with specific schools based on its assessment of its unique challenges. The instructional improvement process is not an end state in any static sense, but a process of continuous instructional improvement unfolding over time. The major emphasis is to demonstrate improvement in the core subject areas including reading, writing, mathematics, science and social studies.

Senior management evaluations are conducted through several mechanisms. On-going dialogue/inquiry related to the essential questions are conducted during twice-weekly senior staff meetings, weekly Local District Superintendent meetings and senior management retreats. Through these activities, staff discusses district wide goals and determines specific performance outcomes as they relate to their individual responsibilities.

The Superintendent addresses each dimension of the evaluation process by analyzing student achievement data, monitoring instructional philosophy, and conducting on-going evaluative conversations with senior staff.

During the past four years, several senior staff members have been terminated and or experienced negative consequences due to a less than satisfactory performance evaluation. The data gathered indicates that one executive was terminated, ten senior management contracts were not renewed, two senior managers were demoted and three senior managers received shortened contracts.

Still, the District does not fundamentally disagree with these recommendations, and this is the reason that the board and the Superintendent requested that The Council of the Great City Schools perform a comprehensive review of school district operations in FY 2006, to help identify gaps in our methods for measuring performance. Plans are being formulated to address the issue of measuring the effectiveness of key administrators who oversee operating units. As is discussed more thoroughly in the District's response to Recommendation 6, the District is currently in the process of developing a set of performance contracts with senior managers that will incorporate comprehensive goals and metrics in a balanced approach towards manager accountability. This work is being conducted in response to the review conducted by The Council of the Great City Schools.

Recommendation 6: LAUSD should develop the goals in conjunction with its consultant's efforts to implement recommendations made by the Council of the Great City Schools review.

LAUSD Response to Recommendation 6:

As is discussed in Chapter 2 of the audit report, in 2004-05 the District commissioned The Council of the Great City Schools to thoroughly review LAUSD. The Final Report was received in January 2006, embraced by the Board and the Superintendent, and implementation began immediately. An accountability prototype has been developed spanning the Board to school administrators, and is being implemented. As part of the prototype, a new form of private sector strength management contract has been implemented for those eligible and has been signed by 36 senior managers, and will eventually be signed by all senior managers. The detailed Job Descriptions and Accountability Standards that will be embedded in these contracts are in final draft. The senior managers will be

reviewed periodically against the Accountability Standards [quarterly at first], and oral and written evaluations will be prepared and corrective actions taken as required. The written evaluations will be signed by both the senior manager and the evaluator[s] and will be part of the senior manager's permanent file. Additionally, an Office of Accountability reporting to the Superintendent has been established with very detailed objectives relating to cultural change, leadership, performance, transformation and innovation. This office is currently preparing a new draft five year strategy for LAUSD as well as the detailed job description, accountability standards, and proposed management contract for the new Superintendent. The accountability standards will align with the strategy and with senior managers' accountability standards so there will be clear, consistent sets of standards from Board to senior managers and then from senior managers to school administrators with adjustments for certain rights of non-management-contract administrators. Finally, a major restructuring of LAUSD led by Instruction is underway.

Recommendation 7: LAUSD should evaluate these administrators in writing based on their ability to meet their goals and hold them accountable for their performance.

LAUSD Response to Recommendation 7:

See response to Recommendation 6.

Recommendation 8: LAUSD should ensure that it retains administrators' written evaluations for a reasonable time period.

LAUSD Response to Recommendation 8:

See response to Recommendation 6.

Recommendation 9: To measure the effectiveness of key administrators who oversee operating units, in conjunction with its consultant's efforts, LAUSD should establish specific, measurable, and reasonable goals for these administrators and evaluate them in writing on their ability to meet these goals. In addition, it should retain these evaluations for a reasonable time period.

LAUSD Response to Recommendation 9:

See response to Recommendation 6.

To avoid the appearance of subjectivity and lack of thoroughness in setting salaries for classified administrators, the Personnel Commission should do the following:

Recommendation 10: The Personnel Commission should establish written guidelines for setting salaries and ensure that it consistently follows processes for determining administrative compensation.

Personnel Commission Response to Recommendation 10:

Staff follows common recognized processes in recommending salaries to the Personnel Commission. Whole Job Ranking is used to evaluate complexity, difficulty, and importance of classes. Market Pricing is also used and involves surveying current market rates to determine a

job's value to an organization and ensures an organization's competitiveness in the marketplace. These methods are tempered by internal alignment factors when District hierarchical considerations may preclude the use of higher salary rates. We believe this process is sound and cannot be reduced to a simple formula.

Staff routinely uses numerous training guides and manuals and attends professional development workshops on compensation practices. In addition, a reference guide on conducting salary surveys is available for their use. All salary recommendations undergo a rigorous review process by supervisory and management level Personnel Commission staff. Staff takes deliberate actions to involve affected incumbents and their supervisors, and, where relevant, union representatives. All recommendations are vetted in a council meeting, distributed to stakeholders and presented in a public meeting to the Personnel Commissioners.

We accept the recommendation by the auditors that calls for increased written internal guidelines used by staff to conduct salary surveys. The District will take action to improve and augment those documents. Staff will enhance our guides and research best practices regarding salary setting guidelines and policies to better reflect the complex processes staff follows in recommending salaries to the Personnel Commission.

Recommendation 11: The Personnel Commission should maintain complete records of its salary determination process, including what methods it followed and what information it used to support its decisions.

Personnel Commission Response to Recommendation 11:

The public reports presented to the Personnel Commission clearly delineate the salary setting processes. All reports clearly state the internal considerations and comparable external data that were considered by staff in their recommendation. All reports are done in a consistent format.

We agree that record maintenance is important. Staff will review and enhance guidelines and improve the description of the criteria staff uses when recommending a salary.

Staff is currently implementing a new database system designed to track and organize data to enhance reporting capability. Staff will explore its capability to assist in the tracking and reporting of survey methodology. In addition, staff is expecting the implementation of a document storage system for the District (FileNet) to assist in this endeavor.

Recommendation 12: LAUSD should maintain complete records to support salary determinations for executive-level administrators to show that these determinations are based on reasonable and objective criteria.

LAUSD Response to Recommendation 12:

The District understands that this recommendation, insofar as it relates to salary determinations for classified executive-level administrators, has been addressed in the response to Recommendation 11.

To the extent this recommendation relates to salary determinations of executive-level certificated administrators, the District notes that this recommendation is directed solely at the issue of maintaining documentation of salary-setting determinations. It is the finding of the audit that “the superintendent and board of education use reasonable and consistent methods to set certificated executive-level salaries.” (Draft Report, p. 57.)

Certificated executive salaries are set infrequently and involve a small handful of people. The majority of certificated executives of the district hold the ranks of Assistant or Associate Superintendent and receive salaries determined by the District’s Master Salary Table established by the Human Resources Division. Less than a dozen certificated senior executives of the District have salaries set outside of that Table. Those salaries are recommended by the superintendent and approved by the board of education in public meetings. Records of those meetings are currently maintained by the District.

Nevertheless, the District will work with its Human Resources Division to establish record-keeping protocols for each newly established certificated executive salary level.

The District appreciates the opportunity to provide a response to the draft report. Once the final report is issued, the District will provide a progress report within sixty days. If you have any questions, or require further information, please contact me at 213.241.6601.

Sincerely,

(Signed by: Kevin S. Reed)

Kevin S. Reed
General Counsel

COMMENTS

California State Auditor's Comments on the Response From the Los Angeles Unified School District

To provide clarity and perspective, we are commenting on the Los Angeles Unified School District's (LAUSD) response to our audit report. The numbers below correspond with the numbers we have placed in the margins of LAUSD's response.

- We appreciate LAUSD's belief that student achievement is a more profound measure of success than evaluation of the gains proposed in the reorganization plans. Nevertheless, as stated on page 7, LAUSD intended to improve academic achievement by assigning the local districts decision-making responsibility, by reconstituting the central office to provide support services to local districts, and by focusing district-wide efforts on teaching students to read. Therefore, the importance of tracking the impact of organizational changes on several factors including staffing and costs is critical to measuring the success of the reorganizations.
- While LAUSD may believe it would have been more appropriate to examine the instructional impacts resulting from the reorganizations, that was not within the scope of the audit that the Joint Legislative Audit Committee requested.
- We disagree with LAUSD's concern. Our finding is clearly written and includes a description on pages 17 and 18 of the expansion plans for its Facilities Services Division and information services units.
- Contrary to LAUSD's assertion, we do not recommend that the salary setting process be reduced to a simple formula. As we state on page 53, we recommend the Personnel Commission establish written guidelines for setting salaries and ensure that it consistently follows processes for determining administrative compensation and maintains complete records of the support for its salary determinations.

- As stated on pages 38 through 43, we found the Personnel Commission lacks comprehensive written procedures and sufficient documentation to set salaries. Therefore, on page 53 we recommend the Personnel Commission establish written guidelines for setting salaries and ensure that it consistently follows processes for determining administrative compensation. The purpose of such written guidelines is to avoid the appearance of subjectivity and lack of thoroughness in setting salaries.
- We do not dispute that the salary recommendations made by the superintendent were approved by LAUSD's Board of Education in public meetings and the meeting records are maintained. However, as we state on page 53, LAUSD should maintain complete records to support salary determinations for executive-level administrators to show those determinations are based on reasonable and objective criteria.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press